

Snake River



HYDRO POWER

ROBERT F. KLUMPP

SENIOR VICE PRESIDENT
FINANCE

IDAHO POWER COMPANY

12204

BOX 70 • BOISE, IDAHO 83707

September 11, 1980
RECORDATION NO. 12204
Filed 1425

SEP 19 1980 - 4 35 PM

INTERSTATE COMMERCE COMMISSION

263A116

SEP 19 1980 - 4 35 PM

INTERSTATE COMMERCE COMMISSION

SEP 19 1980

Date

Fee \$ 100.00

ICC Washington, D. C.

12204
RECORDATION NO. Filed 1425

Interstate Commerce Commission
12th Street and Constitution
Avenue, N W
Washington, D C 20423

Attention: Secretary

Gentlemen:

SEP 19 1980 - 4 35 PM

Enclosed herewith for filing and recording pursuant to 49 USC §11303, are one (1) original and seven (7) conformed copies of the following:

1. Conditional Sale Agreement dated as of June 1, 1980, between Ortner Freight Car Company and Exchange National Bank of Chicago, as Owner-Trustee;
2. Agreement and Assignment dated as of June 1, 1980, between Ortner Freight Car Company and LaSalle National Bank, as Agent;
3. Lease of Railroad Equipment dated as of June 1, 1980, between Exchange National Bank of Chicago, as Owner-Trustee and Sierra Pacific Power Company and Idaho Power Company; and
4. Assignment of Lease and Agreement dated as of June 1, 1980, between Exchange National Bank of Chicago, as Owner-Trustee and LaSalle National Bank, as Agent.

The foregoing documents relate to the purchase and financing of:

- 70 100-ton coal hopper cars (Car Nos VALX 80,001-80,070, both inclusive).

Enclosed is our check in the amount of \$100 in payment of the applicable recording fees.

Robert F. Klumpp
Babe Elvey

Please deliver all conformed copies (other than copies to be retained by the Interstate Commerce Commission), each bearing recordation data with respect to the filing pursuant to the provisions of 49 USC §11303, to the bearer of this letter.

For your records, the names and addresses of the parties to the several instruments are as follows:

Lessees: Sierra Pacific Power Company
P O Box 10100
100 East Moana Lane
Reno, Nevada 89520
Attention: John Saibini,
Vice President, Resources Development

Idaho Power Company
1220 West Idaho Street
P O Box 70
Boise, Idaho 83707
Attention: Robert F Klumpp,
Senior Vice President - Finance

Lessor-Vendee: Exchange National Bank of Chicago,
as Owner-Trustee
130 South LaSalle Street
Chicago, Illinois 60690
Attention: Corporate Trust Department

Agent-Assignee: LaSalle National Bank,
as Agent
135 South LaSalle Street
Chicago, Illinois 60690
Attention: Corporate Trust Department

Builder: Ortner Freight Car Company
2652 Erie Avenue
Cincinnati, Ohio 45208
Attention: Worth Roberts

Very truly yours,

Robert F. Klump

Robert F Klumpp
Vice President -
Finance

RFK:RWS:jar

Enclosures

Interstate Commerce Commission
Washington, D.C. 20423

9/19/80

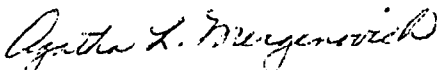
OFFICE OF THE SECRETARY

Robert F. Klumpp
Vice President-Finance
Idaho Power Company
Box 70
Boise, Idaho 83707

Dear **Sir:**

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on **9/19/80** at **4:35pm**, and assigned re-recording number(s). **12204, 12204-A, 12204-B, 12204-C**

Sincerely yours,


Agatha L. Mergenovich
Secretary

Enclosure(s)

12204

RECORDATION NO. Filed 1425

SEP 19 1980 4 35 PM

INTERSTATE COMMERCE COMMISSION

CONDITIONAL SALE AGREEMENT

Dated as of June 1, 1980

between

ORTNER FREIGHT CAR COMPANY

and

EXCHANGE NATIONAL BANK OF CHICAGO,

as Owner-Trustee

CONDITIONAL SALE AGREEMENT

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CONDITIONAL SALE AGREEMENT dated as of June 1, 1980 between ORTNER FREIGHT CAR COMPANY (hereinafter called the Vendor or Builder as more particularly set forth in Article 1) and EXCHANGE NATIONAL BANK OF CHICAGO, not individually but solely in its capacity as Trustee (hereinafter, together with its successors and assigns, called the Vendee) under a Trust Agreement dated as of the date hereof (hereinafter called the Trust Agreement) with FIRST SECURITY BANK OF IDAHO, N.A. (hereinafter called the Beneficiary).

WHEREAS, the Builder has agreed to construct, sell and deliver to the Vendee, and the Vendee has agreed to purchase, the railroad equipment described in Annex A hereto (hereinafter called the Equipment); and

WHEREAS, the Vendee is entering into a Lease of Railroad Equipment dated as of the date hereof (hereinafter called the Lease), substantially in the form of Annex C hereto, with SIERRA PACIFIC POWER COMPANY and IDAHO POWER COMPANY (hereinafter called collectively the Lessees and individually a Lessee);

NOW, THEREFORE, in consideration of the mutual promises, covenants and agreements hereinafter set forth, the parties hereto do hereby agree as follows:

ARTICLE 1. Assignment; Definitions. The parties hereto contemplate (subject to the limitations set forth in the third paragraph of Article 3 and the first paragraph of Article 4) that the Vendee will furnish that portion of the Purchase Price (as hereinafter defined in Article 4) for the Equipment as is required under subparagraph (a) of the fourth paragraph of Article 4 and that an amount equal to the balance of such Purchase Price shall be paid to the Builder by LASALLE NATIONAL BANK, as Agent (hereinafter, together with its successors and assigns, called the Assignee) under a Participation Agreement dated as of the date hereof (hereinafter called the Participation Agreement) with the Beneficiary, the Builder, the Vendee, the Lessees and the Investors named therein, as assignee of the Builder's right, title and interest under this Agreement pursuant to an Agreement and Assignment dated as of the date hereof (hereinafter called the Assignment) between the Builder and the Assignee.

The term "Vendor", whenever used in this Agreement, means, before any assignment of its rights hereunder, the Builder and, after any such assignment, both any assignee or assignees for the time being of such particular assigned rights as regards such rights, and also any assignor as regards any rights hereunder that are retained and excluded from any such assignment; and the term "Builder", whenever used in this Agreement, means, both before and after any such assignment, the Builder. In case of such assignment,

the Vendee will assign to the Vendor, as security for the payment and performance of all the Vendee's obligations hereunder, certain rights, titles and interests of the Vendee in and to the Lease pursuant to an Assignment of Lease and Agreement dated as of the date hereof (hereinafter called the Lease Assignment), substantially in the form of Annex D hereto.

ARTICLE 2. Construction and Sale. Pursuant to this Agreement, the Builder shall construct the Equipment at its plant set forth in Annex A hereto and will sell and deliver to the Vendee, and the Vendee will purchase from the Builder and accept delivery of and pay for as hereinafter provided, the Equipment, each unit of which shall be constructed in accordance with the prior contractual arrangements relating to the Equipment between the Lessees and the Builder (which arrangements are identified in Annex A hereto under the heading Specifications and are hereinafter referred to as the Arrangements) and in accordance with such modifications thereof as may be agreed upon in writing among the Builder, the Vendee and the Lessees (the specifications set forth in the Arrangements as so modified are hereinafter called the Specifications). The design, quality and component parts of each unit of the Equipment shall conform, on the date of completion of manufacture thereof, to all United States Department of Transportation and Interstate Commerce Commission requirements and standards for new equipment and to all standards recommended by the Association of American Railroads reasonably interpreted as being applicable to railroad equipment of the character of such unit; and each such unit and its component parts will be new railroad equipment when delivered to the Vendee as hereinafter provided and will not contain any used components.

ARTICLE 3. Inspection and Delivery. The Builder will deliver the units of the Equipment to the Vendee at the place specified in Annex A hereto, freight charges, if any, prepaid, in accordance with the delivery schedule set forth in Annex A hereto; provided, however, that delivery of any unit of the Equipment shall not be made except concurrently with the settlement therefor on a Closing Date pursuant to Article 4, and in no event until this Agreement and the Lease shall have been filed with the Interstate Commerce Commission pursuant to 49 U.S.C. §11303.

The Builder's obligation as to time of delivery is subject, however, to delays resulting from causes beyond the Builder's reasonable control, including, but not limited to, acts of God, acts of government such as embargoes, priorities and allocations, war or war conditions, riot or civil commotion, sabotage, strikes, differences with workmen, accidents, fire, flood, explosion, damage to plant, equipment or facilities, delays in receiving necessary materials or delays of carriers or subcontractors.

Notwithstanding the preceding provisions of this Article 3, any Equipment not delivered, accepted and settled for on or before December 31, 1980 shall be excluded from this Agreement and not included in the term "Equipment," and the Vendee shall be relieved of its obligation to pay the cost thereof. In the event of any such exclusion, the parties hereto shall execute an agreement supplemental hereto limiting this Agreement to the Equipment not so excluded herefrom.

During construction, the Equipment shall be subject to inspection and approval by the authorized inspectors of the Vendee (who may be employees of either of the Lessees), and the Builder shall grant to such authorized inspectors reasonable access to its plant. The Builder agrees to inspect all materials used in the construction of the Equipment in accordance with the standard quality control practices of the Builder. Upon completion of a Group (as defined in Article 4) of units of the Equipment, such units shall be presented on the Closing Date therefor (as hereinafter defined in Article 4) to an inspector of the Vendee or its duly appointed agent for inspection at the place specified for delivery of such units, and if each such unit conforms to the specifications, requirements and standards applicable thereto, such inspector or an authorized representative of the Vendee (who may be an employee of either of the Lessees) shall on such Closing Date, but subject to the satisfaction of the conditions to such Closing Date set forth in the Assignment, execute and deliver to the Vendee, with a copy to the Builder, a certificate of acceptance (hereinafter called a Certificate of Acceptance) stating that such units have been inspected and accepted on behalf of the Vendee and are marked in accordance with Article 10; provided, however, that the Builder shall not thereby be relieved of its warranties referred to in Article 14. By Section 2 of the Lease, the Vendee is appointing the Lessees as its agent to inspect and accept delivery of each unit of the Equipment on the Closing Date therefor. Acceptance of any unit of Equipment by the Lessees (or an employee or agent of either of the Lessees, as aforesaid) shall be deemed to be acceptance of such unit by the Vendee.

On delivery and acceptance of each such unit hereunder on a Closing Date at the place specified for delivery, the Builder shall have no further responsibility for, nor bear any risk of, any damage to or the destruction or loss of such unit; provided, however, that the Builder shall not thereby be relieved of its warranties referred to in Article 14.

ARTICLE 4. Purchase Price and Payment. The base price per unit of the Equipment is set forth in Annex A hereto. Such base price is subject to such increase or decrease as is agreed to by the Builder, the Vendee and the Lessees prior to the presentation by the Builder of its invoice in

the manner described in the next paragraph, such increase or decrease to be calculated by the Builder in accordance with the Arrangements. The term "Purchase Price" shall mean with respect to any unit of the Equipment the base price as so increased or decreased. The term "Purchase Price" shall mean with respect to any number of units of the Equipment the sum of the Purchase Prices of such units of the Equipment, and with respect to the Equipment, shall mean the sum of the Purchase Prices of all of the units of the Equipment. The Purchase Price of each Unit shall include sales or use tax, storage, switching and insurance charges prior to delivery and freight charges to place of delivery, in each case, if any. If on any Closing Date (as hereinafter defined in this Article 4) the aggregate invoiced Purchase Price of Equipment for which settlement has theretofore been and is then being made under this Agreement would, but for the provisions of this sentence, exceed \$3,657,500.89, the Builder and the Vendee will enter into an agreement excluding from this Agreement such unit or units of Equipment then proposed to be settled for and specified by the Vendee as will be required, after giving effect to such exclusion, to reduce such aggregate Purchase Price of all units delivered and accepted under this Agreement to not more than \$3,657,500.89, and the Vendee will have no further obligations with respect to units of Equipment so excluded.

The Equipment shall be settled for in not more than three groups of units of the Equipment to be delivered to and accepted by the Vendee (each such group being hereinafter called a Group). The term "Closing Date" with respect to each Group shall mean such date, not earlier than October 15, 1980 and not later than December 31, 1980, occurring not more than seven Business Days following presentation by the Builder to the Vendee (with a copy to the Lessees) of the invoice for such Group, fixed by the Lessees by written notice delivered to the Vendee and the Agent at least five Business Days prior to the Closing Date designated therein. Prior to the first Closing Date, the Vendee will furnish to the Builder a Kentucky Sales Tax Exemption Certificate, which certificate shall be substantially in the form of Exhibit A hereto.

The term "Business Days" as used herein means calendar days, excluding Saturdays, Sundays and any other day on which banking institutions in Chicago, Illinois or New York, New York, are authorized or obligated by law to remain closed.

Subject to the provisions of the final paragraph of this Article 4, the Vendee hereby acknowledges itself to be indebted to the Vendor in the amount of, and hereby promises to pay to the Vendor at such place as the Vendor may designate, the Purchase Price of the Equipment, as follows:

(a) On the Closing Date with respect to each Group, an amount equal to 38.41% of the Purchase Price of such Group; and

(b) In 42 consecutive semi-annual installments, as hereinafter provided, an amount equal to 61.59% of the Purchase Price of such Group.

The portion of the Purchase Price of the Equipment payable pursuant to subparagraph (b) of the preceding paragraph (hereinafter called the Conditional Sale Indebtedness) shall be payable on January 1 and July 1 of each year, commencing January 1, 1982 to and including July 1, 2002 (or if any such date is not a Business Day, on the next following Business Day, but with interest accruing only to such January 1 or July 1), each such date being hereinafter called a Payment Date. The installment of principal payable on each Payment Date shall be substantially in proportion to the amount and allocation of principal and interest on such Payment Date set forth in Annex B hereto. The unpaid balance of the Conditional Sale Indebtedness shall bear interest from the Closing Date in respect of which such indebtedness was incurred at the rate of 14-1/2% per annum and such interest shall be payable, to the extent accrued, on January 1 and July 1 of each year, commencing July 1, 1981 and terminating July 1, 2002. The Vendee will furnish to the Vendor promptly after the Cut-Off Date (as defined in Paragraph 5 of the Participation Agreement) a schedule in such number of counterparts as shall be requested by the Vendor, showing the respective amounts of Conditional Sale Indebtedness and interest payable on each Payment Date and the amount of interest payable on July 1, 1981.

Interest under this Agreement shall be determined on the basis of a 360-day year of twelve 30-day months, except that for purposes of determining the amount of interest payable on July 1, 1981, reference shall be made to the actual number of days elapsed on a calendar year basis using a 365-day calendar year.

Subject to the provisions of the final paragraph of this Article 4, the Vendee will pay interest, to the extent legally enforceable, at a rate equal to the higher of (i) 15-1/2% per annum, or (ii) 3% per annum in excess of the per annum rate charged by LaSalle National Bank from time to time to its largest and most credit-worthy commercial borrowers on 90-day commercial loans, upon all amounts remaining unpaid after the same shall have become due and payable pursuant to the terms hereof.

All payments provided for in this Agreement shall be made by wire transfer of immediately available funds. Except as provided in this Article 4, in Article 7 and in Article 8, the Vendee shall not have the privilege of pre-

paying any portion of the Conditional Sale Indebtedness prior to the date it becomes due.

The obligation of the Vendee to pay to the Vendor any amount required to be paid pursuant to the fourth paragraph of this Article 4 with respect to any Group is specifically subject to the fulfillment, on or before the Closing Date in respect of such Group, of the following conditions (any of which may be waived by the Vendee, and payment by the Vendee of the amount specified in subparagraph (a) of such fourth paragraph with respect to such Group shall be conclusive evidence that such conditions have been fulfilled or irrevocably waived):

(a) the Assignee shall have paid or caused to have been paid to the Builder the amounts contemplated to be paid by it as provided in Article 1 and in the Assignment and the documents required by the Assignment shall have been delivered;

(b) no event of default specified herein or Event of Default under the Lease, nor any event which, with notice, demand and/or lapse of time provided for herein or in the Lease, would constitute such an event of default or Event of Default shall have occurred and be continuing; and

(c) the Vendee shall have received (i) the opinions of counsel required by Section 16 of the Lease, (ii) the documents and opinions required by Section 5 of the Assignment, and (iii) such other documents and opinions as the Vendee may reasonably request.

The Vendee may, at its option, but only with the written consent of the Lessees, on any January 1 or July 1 occurring on or after July 1, 1981, prepay all, but not less than all, of the Conditional Sale Indebtedness then outstanding (such date on which prepayment is to be made being hereinafter called the Prepayment Date), at a price (hereinafter called the Prepayment Price) equal to the percentage of the principal amount being prepaid set forth in the following schedule opposite such Prepayment Date:

<u>Prepayment Date</u>	<u>Percentage</u>	<u>Prepayment Date</u>	<u>Percentage</u>
July 1, 1981	114.50000%	January 1, 1990	106.76667
January 1, 1982	114.50000	July 1, 1990	105.80000
July 1, 1982	113.53333	January 1, 1991	105.80000
January 1, 1983	113.53333	July 1, 1991	104.83333
July 1, 1983	112.56667	January 1, 1992	104.83333
January 1, 1984	112.56667	July 1, 1992	103.86667
July 1, 1984	111.60000	January 1, 1993	103.86667
January 1, 1985	111.60000	July 1, 1993	102.90000

July 1, 1985	110.63333	January 1, 1994	102.90000
January 1, 1986	110.63333	July 1, 1994	101.93333
July 1, 1986	109.66667	January 1, 1995	101.93333
January 1, 1987	109.66667	July 1, 1995	100.96667
July 1, 1987	108.70000	January 1, 1996	100.96667
January 1, 1988	108.70000	July 1, 1996	100.00000
July 1, 1988	107.73333	through and	
January 1, 1989	107.73333	including	
July 1, 1989	106.76667	July 1, 2002	

together, in the case of any such prepayment, with accrued interest to the Prepayment Date. Notice of such optional prepayment shall be irrevocable and shall be given in a written instrument filed with the Vendor within 60 days but no less than 30 days prior to the Prepayment Date. Notice of prepayment having been given as aforesaid, the Conditional Sale Indebtedness to be so prepaid shall, on the Prepayment Date, become due and payable at the Prepayment Price and from and after such Prepayment Date (unless the Vendee shall default in the payment of the Prepayment Price and accrued interest), the Conditional Sale Indebtedness shall cease to bear interest. Notwithstanding the above, however, the Vendee may not prepay any Conditional Sale Indebtedness pursuant to this paragraph prior to July 1, 1991 directly or indirectly from, or in anticipation of the receipt of, the proceeds (or any part thereof) of any refinancing operation which either (1) has a lower effective dividend or interest cost to the Vendee (or the Beneficiary), computed in accordance with generally accepted financial practice, than that of the Conditional Sale Indebtedness or (2) as of the date of the proposed prepayment, a Weighted Average Life less than the remaining Weighted Average Life of the Conditional Sale Indebtedness at the time outstanding. The term "Weighted Average Life" with respect to any indebtedness for borrowed money or any preferred stock means, as of the prepayment date, the number of years obtained by dividing the then remaining years of such indebtedness or preferred stock by the then outstanding principal amount of such indebtedness or the aggregate liquidation or stated value of such preferred stock, as the case may be. The remaining years of any indebtedness or preferred stock is calculated by (A) multiplying (1) the amount of each remaining sinking fund, serial maturity or other required principal repayment or mandatory redemption, by (2) the number of years (calculated to the nearest one-twelfth) which will elapse between the date of the proposed prepayment of the Conditional Sales Indebtedness and the date of such sinking fund, serial maturity or other required principal repayment or mandatory redemption, and (B) totalling all the products obtained in clause (A). Each notice of prepayment given pursuant to this paragraph with respect to a Prepayment Date prior to July 1, 1991 shall state that such prepayment is not being effected in contravention of the provisions of this Article.

Notwithstanding any other provision of this Agreement (including, but not limited to, any provision of Articles 16 and 17), it is understood and agreed by the Vendor that the liability of the Vendee or the Beneficiary for all obligations and payments to be made by the Vendee under and pursuant to this Agreement, shall not exceed an amount equal to, and shall be payable only out of the "income and proceeds from the Equipment" as hereinafter defined, and such payments shall be made by the Vendee only to the extent that the Vendee or any assignee of the Vendee shall have actually received sufficient "income and proceeds from the Equipment" to make such payments. Except as provided in the next preceding sentence, the Vendor agrees that neither the Vendee nor the Beneficiary shall have any liability to make any payments under this Agreement whatsoever except from the "income and proceeds from the Equipment" to the extent actually received and finally collected by the Vendee or any assignee of the Vendee. In addition, the Vendor agrees that neither the Vendee nor the Beneficiary (i) makes any representation or warranty, and is not responsible for, the due execution, validity, sufficiency or enforceability of the Lease (or any document referred to therein or relative thereto) in so far as it relates to the Lessees or of any of the Lessees' obligations thereunder and (ii) shall not be responsible for the performance or observance by the Lessees of any of their agreements, representations, indemnities, obligations or other undertakings under the Lease (or any document referred to therein), it being understood that as to all such matters the Vendor will look solely to the Vendor's rights under this Agreement against the Lessees and the Equipment and to the Vendee's rights under the Lease against the Lessees and the Equipment. As used herein, the term "income and proceeds from the Equipment" shall mean (i) if one of the events of default specified in Article 16 shall have occurred and while it shall be continuing, so much of the following amounts as are free and clear of all claims and liens by or through the Lessees received by the Vendee or the Assignee at any time after any such event of default and during the continuance thereof: (a) all amounts of rental and amounts in respect of Casualty Occurrences (as hereinafter defined in Article 7) or of a Termination Occurrence (as hereinafter defined in Article 8) paid for or with respect to the Equipment pursuant to the Lease, (b) any and all payments or proceeds received by the Vendee or any assignee of the Vendee for or with respect to the Equipment as the result of the sale, lease or other disposition thereof, after deducting all costs and expenses of such sale, lease or other disposition, up to an amount equal to that portion of the Conditional Sale Indebtedness then remaining unpaid, and (c) any and all other payments received by the Vendee or any assignee of the Vendee under Section 11 of the Lease; and (ii) at any other time, only that portion of the amounts referred to in the foregoing clauses (a), (b) and (c) as are free and clear of all claims and liens by or

through the Lessees received by the Vendee or the Assignee and as shall equal the portion of the Conditional Sale Indebtedness (including prepayments thereof required in respect of Casualty Occurrences or a Termination Occurrence) and/or interest and premium thereon due and payable on the date such amounts received by the Vendee or the Assignee were required to be paid over pursuant to the Lease or as shall equal any other payments then due and payable under this Agreement; it being understood that "income and proceeds from the Equipment" shall in no event include amounts referred to in the foregoing clauses (a), (b) and (c) which were received by the Vendee or the Assignee prior to the declaration of such an event of default and which exceeded the amounts required to discharge the portion of the Conditional Sale Indebtedness (including prepayments thereof required in respect of Casualty Occurrences or a Termination Occurrence) and/or interest and premium thereon due and payable on the date on which amounts with respect thereto received by the Vendee or the Assignee were required to be paid over pursuant to the Lease or which exceeded any other payments due and payable under this Agreement at the time such amounts were payable under the Lease, or payments by the Lessees to the Vendee (in its individual capacity) or the Beneficiary pursuant to Sections 6 and 10 of the Lease and payments required to be made under the Indemnity Agreement dated as of the date hereof between the Lessees and the Beneficiary. It is further understood and agreed that nothing contained herein limiting the liability of the Vendee shall derogate from the right of the Vendor upon an event of default hereunder to proceed against the Equipment for the full unpaid Purchase Price of the Equipment and interest and premium thereon and for all other payments and obligations hereunder. Notwithstanding anything contained in Article 16 or Article 17, the Vendor or any successor or assign of the Vendor agrees that in the event it shall obtain a judgment against the Vendee for an amount in excess of the amounts payable by the Vendee on account of the limitations set forth in this paragraph, it will, accordingly, limit its execution of such judgment to amounts payable within the limitations set forth in this paragraph.

ARTICLE 5. Security Interest in the Equipment. The Vendor shall and hereby does retain a security interest in the Equipment until the Vendee shall have made all its payments under this Agreement and shall have kept and performed all its agreements herein contained, notwithstanding any provision of this Agreement limiting the liability of the Vendee and notwithstanding the delivery of the Equipment to and the possession and use thereof by the Vendee and the Lessee as provided in this Agreement and the Lease. Any and all additions to the Equipment, and any and all parts installed on and additions and replacements made to any unit of the Equipment, title to which vests in the Lessor under the Lease, shall constitute accessions to the Equipment and

shall be subject to all the terms and conditions of this Agreement and included in the term "Equipment" as used in this Agreement.

Except as otherwise specifically provided in Article 7 and Article 8, when and only when the Vendor shall have been paid the full Purchase Price of the Equipment, together with interest and all other payments as herein provided, and all the Vendee's obligations herein contained shall have been performed, absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee without further transfer or action on the part of the Vendor; however, the Vendor, if so requested by the Vendee, will (a) execute a bill or bills of sale for the Equipment releasing its security interest therein to the Vendee, or upon its order, free of all liens, security interests and other encumbrances created or retained hereby or which result from claims against the Vendor not related to its security interest in the Equipment, the performance of the Vendor's duties and responsibilities under this Agreement or any instrument referred to herein or any other transaction pursuant to or contemplated by this Agreement or any instrument referred to herein and deliver such bill or bills of sale to the Vendee at its address referred to in Article 21, (b) execute and deliver to the same place, for filing, recording, registering or depositing in all necessary public offices, such instrument or instruments in writing as may be necessary or appropriate in order then to make clear upon the public records the title of the Vendee to the Equipment and (c) pay to the Vendee any money paid to the Vendor pursuant to Article 7 or Article 8 and not theretofore applied as therein provided. The Vendee hereby waives and releases any and all rights, existing or that may be acquired, in or to the payment of any penalty, forfeiture or damages for failure to execute and deliver such bill or bills of sale or instrument or instruments or to file any certificate of payment in compliance with any law or statute requiring the filing of the same, except for failure to execute and deliver such bill or bills of sale or instrument or instruments within a reasonable time after written demand by the Vendee.

ARTICLE 6. Taxes. All payments to be made by the Vendee hereunder will be free of expense to the Vendor for collection or other charges and will be free of expense to the Vendor with respect to the amount of any local, state, federal or foreign taxes [other than net income taxes, gross receipts taxes (except gross receipts taxes in the nature of or in lieu of sales, use or rental taxes), franchise taxes measured by net income based upon receipt of such payments, excess profits taxes and similar taxes or general corporation, franchise or like taxes measured by the Vendor's capital, capital stock or net worth], license fees, assessments, charges, fines or penalties hereafter levied or

imposed upon or in connection with or measured by this Agreement, or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof (all such expenses, taxes, license fees, assessments, charges, fines and penalties being hereinafter called collectively Impositions), all of which Impositions the Vendee assumes and agrees to pay on demand. The Vendee will also pay promptly all Impositions which may be imposed upon the Equipment delivered to it or for the use or operation thereof (except as excluded above) or upon the earnings arising therefrom or upon the Vendor solely by reason of its security title therein (except as excluded above) and will keep at all times all and every part of the Equipment free and clear of all Impositions which might in any way affect the security title of the Vendor or result in a lien upon any part of the Equipment; provided, however, that the Vendee shall be under no obligation to pay any Imposition so long as it is contesting in good faith and by appropriate legal proceedings such Imposition and the nonpayment thereof does not, in the opinion of the Vendor, adversely affect the security title, property or rights of the Vendor in or to the Equipment or otherwise under this Agreement. If any Imposition shall have been charged or levied against the Vendor directly and paid by the Vendor, the Vendee shall reimburse the Vendor upon presentation of an invoice therefor, and any amounts so paid by the Vendor shall be secured by and under this Agreement; provided, however, that the Vendee shall not be obligated to reimburse the Vendor for any Imposition so paid unless the Vendor shall have been legally liable with respect thereto (as evidenced by an opinion of counsel for the Vendor, which counsel is satisfactory to the Vendee) or unless the Vendee shall have approved in writing the payment thereof.

ARTICLE 7. Maintenance; Casualty Occurrences; Insurance. The Vendee, at its own cost and expense, shall maintain and keep each unit of the Equipment in good order and repair, ordinary wear and tear excepted.

In the event that any unit of the Equipment shall become lost, stolen, destroyed, irreparably damaged from any cause whatsoever, or taken or requisitioned by condemnation or otherwise by the United States Government for a stated period which shall exceed the then remaining term of the Lease or for an indefinite period, but only, in the case of an indefinite period, after such taking or requisition continues for one year, or by any other governmental entity resulting in the loss of possession by the Lessees for a period of one year (such occurrences being hereinafter called Casualty Occurrences), the Vendee shall, promptly after it shall have determined that such unit has suffered a Casualty Occurrence, cause the Vendor to be fully informed in regard thereto. On the next succeeding Payment Date for the payment of an installment of principal and interest on

the Conditional Sale Indebtedness following such notice (hereinafter called a Casualty Payment Date), the Vendee shall pay a sum equal to the Casualty Value (as hereinafter defined in this Article 7) of such unit as of the Casualty Payment Date and shall file, or cause to be filed, with the Vendor a certificate setting forth the Casualty Value of such unit or units. Any money paid to the Vendor pursuant to this paragraph or received as the proceeds of insurance maintained in accordance with this Article 7 shall be applied to prepay, without penalty or premium, ratably in accordance with the unpaid balance thereof, each installment of the Conditional Sale Indebtedness with respect to such units, and the Vendee will promptly furnish to the Vendor, the Beneficiary and the Lessees a revised schedule of payments of installments of Conditional Sale Indebtedness and interest thereafter to be made, in such number of counterparts as the Assignee may request, calculated as provided in the fifth paragraph of Article 4. To the extent that any money paid to the Vendor pursuant to this paragraph or received as proceeds of insurance maintained in accordance with this Article 7 exceeds the unpaid balance of the Conditional Sale Indebtedness with respect to any unit of the Equipment suffering a Casualty Occurrence, plus any interest owing with respect thereto, such excess will be paid over to the Vendee by the Vendor.

Upon payment by the Vendee to the Vendor of the Casualty Value of any unit of the Equipment having suffered a Casualty Occurrence, absolute right to the possession of, title to and property in such unit shall pass to and vest in the Vendee, without further transfer or action on the part of the Vendor; provided, however, that the Vendor, if so requested by the Vendee, will execute and deliver to the Vendee, at the expense of the Vendee, a bill of sale for such unit releasing the Vendor's security interest therein to the Vendee, or upon its order, free of all liens, security interests and other encumbrances created or retained hereby or which result from claims against the Vendor not related to the ownership of the Equipment, the performance of the Vendor's duties and responsibilities under this Agreement or any instrument referred to herein or any other transaction pursuant to or contemplated by this Agreement or any instrument referred to herein.

The Casualty Value of each unit of the Equipment suffering a Casualty Occurrence for purposes of this Article 7 shall be deemed to be that portion of the original Purchase Price of such unit of the Equipment remaining unpaid on the date as of which such Casualty Value shall be determined, plus interest accrued thereon but unpaid as of such date. For the purpose of this paragraph, each payment of the Purchase Price in respect of Equipment made pursuant to Article 4 shall be deemed to be a payment on each unit of the Equipment then subject to this Conditional Sale Agree-

ment in like proportion as the original Purchase Price of such unit bears to the aggregate original Purchase Price of all the Equipment then subject to this Conditional Sale Agreement.

Any property insurance proceeds or condemnation payments received by the Vendor in respect of units suffering a Casualty Occurrence shall be deducted from the amounts payable by the Vendee to the Vendor pursuant to the second paragraph of this Article 7. All property insurance proceeds or condemnation payments received by the Vendor in respect of any unit or units of Equipment not suffering a Casualty Occurrence shall be paid to the Vendee upon receipt by the Vendor of a certificate signed by an authorized officer of either of the Lessees to the effect that any damage to the unit in respect of which such proceeds were paid has been fully repaired.

ARTICLE 8. Termination Occurrence. In the event that the Lease shall be terminated as to all the units of the Equipment by and in accordance with Section 8 of the Lease (any such event being hereinafter called a Termination Occurrence), the Vendee shall pay to the Vendor, on the Termination Date (as defined in the Lease), a sum equal to the Casualty Value of the units of the Equipment as of such Termination Date, without premium, and shall file, or cause to be filed, with the Vendor a certificate setting forth the Casualty Value of each unit. Any money paid to the Vendor pursuant to this paragraph shall be applied to prepay in full the unpaid balance of each installment of the Conditional Sale Indebtedness, together with interest accrued and unpaid thereon to the date of prepayment.

Upon payment by the Vendee to the Vendor of the sums in this Article 8 provided, absolute right to the possession of, title to and property in all units of the Equipment shall vest in the Vendee, without further transfer or action on the part of the Vendor; provided, however, that the Vendor, if so requested by the Vendee, will execute and deliver to the Vendee, at the expense of the Vendee, a bill of sale for all such units releasing the Vendor's security interest therein free of all liens, security interests and other encumbrances created or retained hereby or which result from claims against the Vendor not related to the ownership of the Equipment, the performance of the Vendor's duties and responsibilities under this Agreement or any instrument referred to herein or any other transaction pursuant to or contemplated by this Agreement or any instrument referred to herein.

ARTICLE 9. Reports and Inspections. On or before March 31 in each year, commencing with the year 1982, the Vendee shall cause to be furnished to the Vendor an accurate statement (a) setting forth as of the preceding December 31

the amount, description and numbers of all units of the Equipment then being leased under the Lease and covered by this Agreement, the amount, description and numbers of all units of the Equipment that have suffered a Casualty Occurrence or are undergoing repairs, other than running repairs during the preceding calendar year (or since the date of this Agreement in the case of the first such statement), and such other information regarding the condition and state of repair of the Equipment as the Vendor may reasonably request and (b) stating that, in the case of all Equipment repaired or repainted during the period covered by such statement, the numbers and markings required by Article 10 have been preserved or replaced. The Vendor or its duly appointed agent shall have the right to inspect the Equipment and the Lessees' records (to the extent permitted by the Lease) with respect thereto at such reasonable times as the Vendor may request during the term of this Agreement.

ARTICLE 10. Marking of Equipment. The Vendee will cause each unit of the Equipment to be kept numbered with its identifying number as set forth in Annex A hereto, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each unit, in letters not less than one inch in height, the words "Owned by a Bank or Trust Company. Ownership Subject to a Security Agreement Filed with the Interstate Commerce Commission", with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Vendor's interest in the Equipment and its rights under this Agreement. The Vendee will not permit any such unit to be placed in operation or exercise any control or dominion over the same until such markings shall have been made thereon and will replace or will cause to be replaced promptly any such markings which may be removed, defaced, obliterated or destroyed. The Vendee will not permit the identifying number of any unit of the Equipment to be changed except in accordance with a statement of new number or numbers to be substituted therefor, which statement previously shall have been filed with the Vendor and filed, recorded, registered and deposited by the Vendee in all public offices where this Agreement shall have been filed, recorded, registered and deposited.

Except as provided in the immediately preceding paragraph, the Vendee will not allow the name of any person, association or corporation to be placed on any unit of the Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Equipment may be lettered with the name or initials or other insignia customarily used by the Lessees or either of them.

ARTICLE 11. Compliance with Laws and Rules. During the term of this Agreement, the Vendee will comply, and will cause every user of the Equipment to comply, in all respects

with all laws (including, but not limited to, laws with respect to the use, maintenance and operation of the Equipment) of the jurisdictions in which operations involving the Equipment may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Equipment, to the extent that such laws and rules affect the title, operation or use of the Equipment; and in the event that such laws or rules require any alteration, replacement or addition of or to any part of any unit of the Equipment, the Vendee will conform therewith at its own expense; provided, however, that the Vendee or the Lessees may, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the reasonable opinion of the Vendor, adversely affect the property or rights of the Vendor under this Agreement.

ARTICLE 12. Possession and Use. The Vendee, so long as an event of default shall not have occurred and be continuing under this Agreement, shall be entitled, from and after delivery of the Equipment by the Builder to the Vendee, to the possession of the Equipment and the use thereof, but only upon and subject to all the terms and conditions of this Agreement.

The Vendee may only lease the Equipment to the Lessees as permitted by, and for use as provided in, the Lease, but the rights of the Lessees and their permitted assigns and sublessees under the Lease shall at all times be subordinated and junior in rank to the rights, and shall be subject to the remedies, of the Vendor under this Agreement; provided, however, that so long as the Lessees shall not be in default under the Lease, the Lessees and their permitted sublessees and assigns shall be entitled to the possession and use of the Equipment in accordance with and pursuant to the terms of the Lease; and provided further, that no unit of Equipment may be delivered to, or accepted or used by, the Lessees under the Lease prior to the settlement for such unit on the Closing Date therefor, as provided in Article 4 hereof. The Vendee hereby agrees that it will not exercise any of the remedies permitted in the case of an Event of Default under the Lease until the Vendor shall have received notice in writing of the Vendee's intended exercise thereof, and hereby further agrees to furnish to the Vendor copies of all summonses, writs, processes and other documents served by the Vendee upon the Lessees or served by the Lessees upon it in connection therewith. The Lease shall not be amended, modified, or terminated (except in accordance with its terms) without the prior written consent of the Vendor.

ARTICLE 13. Prohibition Against Liens. The Vendee will pay or discharge any and all sums claimed by any party from, through or under the Vendee or its successors or assigns which, if unpaid, might become a lien, charge, security interest or other encumbrance on or with respect to the Equipment, or any unit thereof, equal or superior to the Vendor's security interest therein, and will promptly discharge any such lien, charge, security interest or other encumbrance which arises; provided, however, that the Vendee shall not be required to pay or discharge any such claim so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings in any reasonable manner and the nonpayment thereof does not, in the reasonable opinion of the Vendor, adversely affect the security interest of the Vendor in or to the Equipment or otherwise adversely affect its rights under this Agreement. Any amounts paid by the Vendor in discharge of liens, charges, security interests or other encumbrances upon the Equipment shall be secured by and under this Agreement.

This covenant will not be breached by reason of the existence of liens for taxes, assessments or governmental charges or levies, in each case so long as not due and delinquent, or undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other like liens arising in the ordinary course of business and, in each case, not delinquent.

ARTICLE 14. Indemnities and Warranties. The Vendee agrees to indemnify, protect and hold harmless the Vendor from and against all losses, damages, injuries, liabilities, claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including counsel fees and expenses, penalties and interest, arising out of or as the result of the entering into or the performance of this Agreement, the retention by the Vendor of a security interest in the Equipment, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of any of the Equipment, any accident in connection with the operation, use, condition, possession, storage or return of any of the Equipment resulting in damage to property or injury or death to any person during the period when the Vendor holds a security interest in the Equipment or arising out of the transfer of the security interest in the Equipment by the Vendor pursuant to any of the provisions of this Agreement, except, however, any losses, damages, injuries, liabilities, claims and demands whatsoever arising out of any tort, breach of warranty or failure to perform any covenant hereunder by the Builder. This covenant of indemnity shall continue in full force and effect notwithstanding the full payment of the indebtedness in respect of the Purchase Price of, and the release of the security interest in, the Equipment, as provided in Article 5, or the termination of this Agreement in any manner whatsoever.

The Builder represents and warrants to the Vendee that, at the time of delivery and acceptance of each unit of the Equipment under this Agreement, (i) the Vendee will have good and marketable title to such unit, free and clear of all claims, liens, security interests and other encumbrances of any nature except only the rights of the Vendor under this Agreement and the rights of the Lessees under the Lease, (ii) such unit will constitute "new section 38 property" within the meaning of Section 48(b) of the Internal Revenue Code of 1954, as amended and (iii) the Builder will not have claimed the investment credit nor taken any depreciation deductions with respect to such unit.

The Vendee will bear the responsibility for and risk of, and shall not be released from its obligations hereunder in the event of any damage to or the destruction or loss of any unit of or all the Equipment.

The Builder warrants to the Vendee and the Lessees that the Equipment will be built in accordance with the Specifications, requirements and standards set forth in Article 2 and warrants that the Equipment will be free from defects in material or design and workmanship under normal use and service, the Builder's obligation under this paragraph being limited to repairing or replacing at its plant any part or parts of any unit of the Equipment which shall be returned, within one year after the delivery of such unit to the Vendee, to the Builder with transportation charges prepaid, and which the Builder's examination shall disclose to its satisfaction to have been thus defective. THE FOREGOING WARRANTY OF THE BUILDER IS EXPRESSLY IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, AND OF ALL OTHER OBLIGATIONS OR LIABILITIES OF THE BUILDER EXCEPT UNDER ARTICLES 2, 3, 4 AND 14, and the Builder neither assumes nor authorizes any person to assume for it any other liability in connection with the construction and delivery of the Equipment except as aforesaid and except as provided in the immediately succeeding paragraph. It is further understood and agreed that in no event shall the Builder be liable for indirect or consequential damages of any kind. The Builder further agrees with the Vendee and the Lessees that neither the inspection as provided in Article 3 nor any examination or acceptance of any units of the Equipment as provided in said Article 3 shall be deemed a waiver or a modification by the Vendee and the Lessees of any of their rights under this Article 14.

The Builder agrees to indemnify, protect and hold harmless the Lessees, the Beneficiary and the Vendee from and against any and all liability, claims, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against the Lessees, the Beneficiary, the Vendee or their assigns because of the use in or about the construction or operation of any of the

Equipment of any design, system, process, formula, combination, article or material which infringes or is claimed to infringe on any patent or other right. In case any of the Equipment is determined to infringe on any patent or other similar right in respect of which liability may be charged against the Builder and the use of any of the Equipment is enjoined, the Builder shall, at its own expense, at its option, either procure for the Vendee and the Lessees the right to continue using such Equipment or replace the same with non-infringing equipment or modify the same so it becomes non-infringing. The Builder agrees to and hereby does, to the extent legally possible without impairing any claim, right or cause of action hereinafter referred to, assign, set over and deliver to the Vendee and the Lessees every claim, right and cause of action which the Builder has or hereafter shall have against the seller or sellers of any designs, systems, processes, formulae, combinations, articles or materials specified by the Vendee or the Lessees and purchased or otherwise acquired by the Builder for use in or about the construction or operation of any of the Equipment on the ground that any such design, system, process, formula, combination, article or material or operation thereof infringes or is claimed to infringe on any patent or other right; and the Builder further agrees to execute and deliver to the Vendee or the Lessees all and every such further assurance as may be reasonably requested by the Vendee or the Lessees more fully to effectuate the assignment and delivery of every such claim, right and cause of action. The Builder will give prompt notice to the Vendee, the Assignee, the Beneficiary and the Lessees of any claim known to the Builder from which liability may be charged against the Vendee, the Beneficiary or the Lessees hereunder, and the Vendee will give prompt notice to the Builder, the Assignee and the Lessees of any claim known to the Vendee from which liability may be charged against the Builder hereunder. Such covenants of indemnity shall continue in full force and effect notwithstanding the full payment of all sums due under this Agreement, the satisfaction and discharge of this Agreement or the termination of this Agreement in any manner.

ARTICLE 15. Assignments. The Vendee will not (a) except as provided in Article 12, transfer the right to possession of any unit of the Equipment or (b) sell, assign, transfer or otherwise dispose of its rights under this Agreement unless such sale, assignment, transfer or disposition is made (i) expressly subject in all respects to the rights and remedies of the Vendor hereunder (including, but not limited to, rights and remedies against the Vendee and the Lessees) and (ii) to a bank or trust company organized under the laws of the United States or any State thereof, having a capital and surplus aggregating at least \$50,000,000, and such bank or trust company expressly assumes, in writing, in form and substance satisfactory to the Vendor, all of the obligations of the Vendee hereunder.

All or any of the rights, benefits and advantages of the Vendor under this Agreement, including the right to receive the payments herein provided to be made by the Vendee, may be assigned by the Vendor and reassigned by any assignee at any time or from time to time; provided, however, that prior to an event of default hereunder no such assignment shall be made to any person other than a recognized financial institution having a net worth, or capital and surplus, as the case may be, of at least \$50,000,000. No such assignment shall subject any assignee to, or relieve the Builder from, any of the obligations of the Builder to construct and deliver the Equipment in accordance herewith or to respond to its warranties and indemnities contained or referred to in Article 14, or relieve the Vendee of its obligations to the Builder under Articles 2, 3, 4, 6 and 14, or any other obligation which, according to its terms and context, is intended to survive an assignment.

Upon any assignment or reassignment referred to in the immediately preceding paragraph, either the assignor or the assignee shall give written notice to the Vendee, together with a counterpart or copy of such assignment, stating the identity and post office address of the assignee, and such assignee shall, by virtue of such assignment, acquire all the assignor's right, title and interest in and to the Equipment and this Agreement, or in and to a portion thereof, as the case may be, subject only to such reservations as may be contained in such assignment. From and after the receipt by the Vendee of the notification of any such assignment, all payments thereafter to be made by the Vendee under this Agreement shall, to the extent so assigned, be made to the assignee in such manner as it may direct.

The Vendee recognizes that it is the custom of railroad equipment manufacturers or sellers to assign agreements of this character and understands that the assignment of this Agreement, or of some of or all the rights of the Vendor hereunder, is contemplated. The Vendee expressly represents, for the purpose of assurance to any person, firm or corporation considering the acquisition of this Agreement or of all or any of the rights of the Vendor hereunder, and for the purpose of inducing such acquisition, that in the event of such assignment by the Vendor, as hereinbefore provided, the rights of such assignee to the entire unpaid indebtedness in respect of the Purchase Price of the Equipment, or such part thereof as may be assigned, together with interest and premium, if any, thereon, as well as any other rights hereunder which may be so assigned, shall not be subject to any defense, set-off, counterclaim or recoupment whatsoever arising out of any breach of any obligation of the Builder in respect of the Equipment, or the manufacture, construction, delivery or warranty thereof, or in respect of any indemnity herein contained, nor subject to any defense, set-off, counterclaim or recoupment whatsoever arising by

reason of any other indebtedness or liability at any time owing to the Vendee or the Lessees by the Builder. Any and all such obligations, indebtedness or liability, howsoever arising, shall be and remain enforceable by the Vendee or the Lessees, as the case may be, against and only against the Builder.

In the event of any such assignment by the Vendor or successive assignments, the Vendee will, upon request by the assignee, change the markings on each side of each unit of the Equipment so as to be consistent with the interest of such assignee in the Equipment, to the extent necessary to conform to any requirements of the laws of the jurisdictions in which the Equipment shall be operated. The cost of such markings in the event of an assignment of all the Equipment at the time covered by this Agreement shall be borne by the Vendee, and in the event of an assignment of less than all such Equipment shall be borne by such assignee.

ARTICLE 16. Defaults. In the event that any one or more of the following events of default shall occur and be continuing, to wit:

(a) the Vendee shall fail to pay in full when due any installment of the Conditional Sale Indebtedness (irrespective of any provision of this Agreement limiting the liability of the Vendee), and such default shall continue for 10 days;

(b) the Vendee shall fail to pay in full any sum, other than installments of the Conditional Sale Indebtedness, payable by the Vendee when payment thereof shall be due hereunder (irrespective of any provision of this Agreement limiting the liability of the Vendee), and such default shall continue for 10 days after written notice from the Vendor to the Vendee and the Beneficiary specifying such failure of payment and demanding that the same be paid;

(c) the Vendee shall, for more than 30 days after the Vendor shall have demanded performance thereof by written notice to the Lessees, the Vendee and the Beneficiary, fail or refuse to comply with any other covenant, agreement, term or provision of this Agreement, or of any agreement entered into concurrently herewith relating to the financing or lease of the Equipment, on the part of the Vendee to be kept or performed or to make provision satisfactory to the Vendor for such compliance, and neither the Vendee nor the Beneficiary shall have made such provision; or

(d) an Event of Default shall have occurred under the Lease, as defined in Section 11 thereof, and the Vendee shall have not cured the Event of Default as permitted by Section 23 of the Lease;

(e) any proceedings shall be commenced by or against the Vendee, in its capacity as trustee under the Trust Agreement, for any relief under any bankruptcy or insolvency law, or any law relating to the relief of debtors, readjustment of indebtedness, reorganization, arrangement, composition or extension, and, if such proceedings have been commenced against the Vendee, such proceedings shall not have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all of the obligations of the Vendee under this Agreement shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Vendee or for its respective property in connection with any such proceedings, or by the Vendee as debtor in possession, in such manner that such obligations shall have the same status as expenses of administration incurred by such trustee or trustees or receiver or receivers, or debtor in possession, within 60 days after such appointment, if any, or 60 days after such proceedings shall have been commenced, whichever is earlier, or the Vendee shall make a general assignment for the benefit of creditors or shall admit in writing its inability to pay its debts generally as they become due; or

(f) the Vendee shall make or suffer any unauthorized assignment or transfer of this Agreement or any interest herein or any unauthorized transfer of the right to possession of any unit of the Equipment;

then at any time after the occurrence of such an event of default the Vendor may, upon five days prior written notice to the Vendee and the Lessees and upon compliance with any legal requirements then in force and applicable to such action by the Vendor, (i) subject to the rights of the Lessees set forth in Article 12, cause the Lease immediately (upon such notice) to terminate (and the Vendee acknowledges the right of the Vendor to terminate the Lease); provided, however, that in no case shall there be a default under this Agreement where the Agent has received all monies which are due, but has failed to transmit the same; and provided further that such termination shall not be in derogation of or impair the rights of the Vendee (or any assignee of the Vendee's rights in the Lease) to enforce compliance by the Lessees with any of their covenants and agreements under the Lease or to enforce any of their rights and remedies under Section 11 of the Lease (subject to the Vendor's rights to repossess and sell the Equipment as provided in this Agreement), including the rights of the Vendee to sue for and recover damages provided for in Section 11 of the Lease upon

the occurrence of an Event of Default under the Lease, and/or (ii) declare (hereinafter called a Declaration of Default) the entire unpaid Conditional Sale Indebtedness, together with the interest thereon then accrued and unpaid, immediately due and payable, without further demand, and thereafter the aggregate of the unpaid balance of such indebtedness and interest shall bear interest from the date of such Declaration of Default at the rate per annum specified in Article 4 as being applicable to amounts remaining unpaid after becoming due and payable, to the extent legally enforceable. Upon a Declaration of Default, the Vendor, subject to the last paragraph of Article 4 and Article 22, shall be entitled to recover judgment for the entire unpaid balance of the Conditional Sale Indebtedness so payable, with interest as aforesaid, and to collect such judgment out of any property of the Vendee wherever situated. The Vendee shall promptly notify the Vendor if it has actual knowledge of any event which constitutes, constituted, or with notice, demand and/or lapse of time could constitute, an event of default under this Agreement and the action taken or proposed to be taken with respect thereto.

The Vendor may, at its election, waive any such event of default and its consequences and rescind and annul any Declaration of Default or notice of termination of the Lease by notice to the Vendee and the Lessees in writing to that effect, and thereupon the respective rights of the parties shall be as they would have been if no such event of default had occurred and no Declaration of Default or notice of termination of the Lease had been made or given. Notwithstanding the provisions of this paragraph, it is expressly understood and agreed by the Vendee that time is of the essence of this Agreement and that no such waiver, rescission or annulment shall extend to or affect any other or subsequent default or impair any rights or remedies consequent thereon.

ARTICLE 17. Remedies. At any time during the continuance of a Declaration of Default, the Vendor may, subject to Article 12, and compliance with any mandatory requirements of law then in force and applicable to the action to be taken by the Vendor, take or cause to be taken by its agent or agents immediate possession of the Equipment, or one or more of the units thereof, without liability to return to the Vendee any sums theretofore paid and free from all claims whatsoever, except as hereinafter in this Article 17 expressly provided, and may remove the same from the possession and use of the Vendee or any other person having such possession and use and for such purpose may enter upon the premises of either of the Lessees (to the extent permitted by the Lease) or the Vendee or any other premises where the Equipment may be located and may use and employ in connection with such removal any supplies, services and aids and any available trackage and other facilities or means of the Vendee.

In case the Vendor shall rightfully demand possession of the Equipment pursuant to this Agreement and shall designate a reasonable point or points for the delivery of the Equipment to the Vendor, the Vendee shall (subject to the rights of the Lessees set forth in Article 12), at the Vendee's expense, forthwith and in the usual manner, cause the Equipment to be moved to such point or points and shall there deliver the Equipment or cause it to be delivered to the Vendor. At the option of the Vendor, the Vendor may keep the Equipment, at the expense of the Vendee, on any lines of railroad or premises approved by the Vendor until the Vendor shall have leased, sold or otherwise disposed of the same. The agreement to deliver the Equipment as hereinbefore provided is of the essence of this Agreement, and, upon application to any court of equity having jurisdiction in the premises, the Vendor shall be entitled to a decree against the Vendee and/or the Lessees requiring specific performance hereof. The Vendee hereby expressly waives any and all claims against the Vendor and its agent or agents for damages of whatever nature in connection with any retaking of any unit of the Equipment in any reasonable manner.

At any time during the continuance of a Declaration of Default, the Vendor (after retaking possession of the Equipment as hereinbefore in this Article 17 provided) may, at its election and upon such notice as is hereinafter set forth, retain the Equipment in satisfaction of the Conditional Sale Indebtedness and make such disposition thereof as the Vendor shall deem fit. Written notice of the Vendor's election to retain the Equipment shall be given to the Vendee, the Beneficiary and the Lessees by telegram or registered mail, addressed as provided in Article 21, and to any other persons to whom the law may require notice, within 30 days after such election. In the event that the Vendor should elect to retain the Equipment, all the Vendee's rights in the Equipment shall thereupon terminate and all payments made by the Vendee may be retained by the Vendor as compensation for the use of the Equipment; provided, however, that if the Vendee, before the expiration of the 30-day period described in the next proviso, should pay or cause to be paid to the Vendor the total unpaid balance of the Conditional Sale Indebtedness, together with interest thereon accrued and unpaid and all other payments due under this Agreement, then in such event absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee; and provided further, that if the Vendee, the Beneficiary, either of the Lessees or any other persons notified under the terms of this paragraph object in writing to the Vendor within 30 days from the receipt of notice of the Vendor's election to retain the Equipment, then the Vendor may not so retain the Equipment, but shall sell, lease or otherwise dispose of it or continue to hold it pending sale, lease or other disposition as hereinafter provided or as may otherwise be permitted by law. If the

offered for sale. In the event that the Vendor shall be the purchaser thereof, it shall not be accountable to the Vendee or the Lessees (except to the extent of surplus money received as hereinafter provided in this Article 17), and in payment of the purchase price therefor the Vendor shall be entitled to have credited on account thereof all sums due to the Vendor hereunder.

Each and every power and remedy hereby specifically given to the Vendor shall be in addition to every other power and remedy hereby specifically given or now or hereafter existing at law or in equity, and each and every power and remedy may be exercised from time to time and simultaneously and as often and in such order as may be deemed expedient by the Vendor. All such powers and remedies shall be cumulative, and the exercise of one shall not be deemed a waiver of the right to exercise any other or others. No delay or omission of the Vendor in the exercise of any such power or remedy, and no renewal or extension of any payments due hereunder, shall impair any such power or remedy or shall be construed to be a waiver of any default or an acquiescence therein. Any extension of time for payment hereunder or other indulgence duly granted to the Vendee shall not otherwise alter or affect the Vendor's rights or the Vendee's obligations hereunder. The Vendor's acceptance of any payment after it shall have become due hereunder shall not be deemed to alter or affect the Vendee's obligations or the Vendor's rights hereunder with respect to any subsequent payments or default therein.

If, after applying all sums of money realized by the Vendor under the remedies herein provided, there shall remain any amount due to it under the provisions of this Agreement, the Vendee shall pay the amount of such deficiency to the Vendor upon demand; and if the Vendee shall fail to pay such deficiency, the Vendor may bring suit therefor and shall be entitled to recover a judgment therefor against the Vendee. If, after applying as aforesaid all sums realized by the Vendor, there shall remain a surplus in the possession of the Vendor, such surplus shall be paid to the Vendee.

The Vendee will pay all reasonable expenses, including attorneys' fees, incurred by the Vendor in enforcing its remedies under the terms of this Agreement. In the event that the Vendor shall bring any suit to enforce any of its rights hereunder and shall be entitled to judgment, then in such suit the Vendor may recover reasonable expenses, including reasonable attorneys' fees, and the amount thereof shall be included in such judgment.

The foregoing provisions of this Article 17 are subject in all respects to all mandatory requirements of law at the time in force and applicable thereto and to the limitations

of the eleventh paragraph of Article 4 hereof and the third paragraph of Article 22 hereof.

ARTICLE 18. Severability and Applicable Laws. Any provision of this Agreement prohibited or unenforceable by any applicable law of any jurisdiction shall as to such jurisdiction be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. Where, however, the conflicting provisions of any such applicable law may be waived, they are hereby waived by the Vendee to the full extent permitted by law, to the end that this Agreement shall be deemed to be a conditional sale and enforced as such.

Except as otherwise provided in this Agreement, the Vendee, to the full extent permitted by law, hereby waives all statutory or other legal requirements for any notice of any kind, notice of intention to take possession of or to sell or lease the Equipment, or one or more units thereof, and any other requirements as to the time, place and terms of the sale or lease thereof, any other requirements with respect to the enforcement of the Vendor's rights under this Agreement and any and all rights of redemption.

ARTICLE 19. Recording. The Vendee will cause this Agreement, any assignments hereof and any amendments or supplements hereto or thereto to be filed and recorded with the Interstate Commerce Commission in accordance with 49 U.S.C. §11303; and the Vendee will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, deposit and record any and all further instruments required by law or reasonably requested by the Vendor for the purpose of proper protection, to the satisfaction of counsel for the Vendor, of its security interest in the Equipment and its rights under this Agreement or for the purpose of carrying out the intention of this Agreement; and the Vendee or the Lessees will promptly furnish to the Vendor certificates or other evidence of such filing, registering, depositing and recording satisfactory to the Vendor.

ARTICLE 20. Article Headings; Effect and Modification of Agreement. All article headings are inserted for convenience only and shall not affect any construction or interpretation of this Agreement.

This Agreement, including the Annexes hereto, and the Participation Agreement exclusively and completely state the rights of the Vendor and the Vendee hereunder with respect to the Equipment and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Agreement and no waiver of any of its provi-

sions or conditions shall be valid unless in writing and signed by duly authorized representatives of the Vendor and the Vendee.

ARTICLE 21. Notices. Any notice hereunder to any of the persons designated below shall be deemed to have been properly served if delivered personally or if mailed, when mailed registered mail postage prepaid, at the following specified addresses:

(a) To the Builder, Ortner Freight Car Company, 2652 Erie Avenue, Cincinnati, Ohio 45208, Attention of Worth Roberts.

(b) To the Assignee, LaSalle National Bank, as Agent, 135 South LaSalle Street, Chicago, Illinois 60690, Attention of Corporate Trust Department.

(c) To the Vendee, Exchange National Bank of Chicago, as Owner-Trustee, 130 South LaSalle Street, Chicago, Illinois 60690, Attention of Corporate Trust Department.

(d) To Sierra Pacific Power Company, P.O. Box 10100, 100 East Moana Lane, Reno, Nevada 89520, Attention of John Saibini, Vice President, Resources Development.

(e) To Idaho Power Company, 1220 West Idaho Street, P.O. Box 70, Boise, Idaho 83707, Attention of Robert F. Klumpp, Senior Vice President-Finance.

(f) To the Beneficiary, c/o First Security Leasing Company, 79 South Main Street, Salt Lake City, Utah 84111, Attention of President.

(g) To any other assignee of the Vendor or of the Vendee, at such address as may have been furnished in writing to the other parties hereto by such assignee;

or to such other address as may have been furnished in writing by such person to the other parties to this Agreement and shall be deemed to have been given for all purposes under this Agreement on the date of such delivery or mailing.

ARTICLE 22. Immunities of Certain Individuals; Satisfaction of Undertakings. No recourse shall be had in respect of any obligation due under this Agreement, or referred to herein, against any incorporator, stockholder, director or officer, past, present or future, of the Builder, the Vendor, the Vendee or the Beneficiary, whether by virtue of any constitutional provision, statute or rule of law, or by enforcement of any assessment or penalty or otherwise, all such liability, whether at common law, in equity, by any constitutional provision, statute or otherwise, of such

incorporators, stockholders, directors or officers being forever released as a condition of and as consideration for the execution of this Agreement.

The obligations of the Vendee under the second, seventh and eighth paragraphs of Article 17 and under Articles 3, 6, 7, 9, 10, 11, 13, 14, 15, and 19 shall be deemed in all respects satisfied by the Lessees' undertakings contained in the Lease. The Vendee shall not have any responsibility for the Lessees' failure to perform such obligations, but if the same shall not be performed they shall constitute the basis for an event of default pursuant to Article 16, provided that the failure of the Lessees to perform such obligations shall not constitute an event of default hereunder unless and until the Lessees are declared to be in default under the Lease. No waiver or amendment of the Lessees' undertakings under the Lease shall be effective unless joined in by the Vendor.

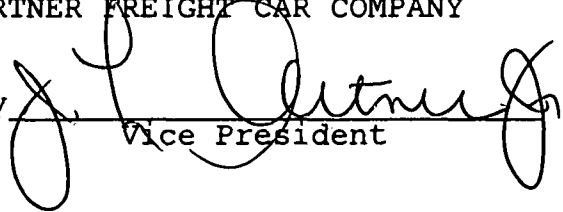
Notwithstanding anything herein to the contrary, each and all of the representations, warranties, undertakings and agreements herein made on the part of the Vendee are made and intended not as personal representations, warranties, undertakings and agreements of Exchange National Bank of Chicago or for the purpose or with the intention of binding said bank personally, but are made and intended for the purpose of binding only the Trust Estate (as such term is used in the Trust Agreement), and this Agreement is executed and delivered by said bank solely in the exercise of the powers expressly conferred upon said bank as trustee under the Trust Agreement; and no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said bank, except for its wilful misconduct or gross negligence, on account of any representation, warranty, undertaking or agreement hereunder of said bank as Vendee or of the Beneficiary on account of the Vendee, either express or implied, all such personal liability, if any, being expressly waived and released by the Lessees, the Agent and the Builder and by all persons claiming by, through or under the Lessees, the Agent and the Builder; provided, however, that the Lessees, the Agent and the Builder or any person claiming by, through or under any of them, making claim hereunder, may look to said Trust Estate for satisfaction of the same.

ARTICLE 23. Law Governing. The terms of this Agreement and all rights and obligations hereunder shall be governed by the laws of the State of Illinois; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. §11303 and such additional rights arising out of the filing, recording, registering or depositing, if any, of this Agreement or of any assignment hereof as shall be conferred by the laws of the several jurisdictions in which this Agreement or any assignment hereof shall be filed, recorded, registered or deposited.

ARTICLE 24. Execution. This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same instrument, which shall be sufficiently evidenced by any such original counterpart. Although this Agreement is dated as of June 1, 1980 for convenience, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.


IN WITNESS WHEREOF, the parties hereto, each pursuant to due corporate authority, have caused this Agreement to be signed in their respective corporate names by duly authorized officers and their respective corporate seals to be hereunto affixed and duly attested, all as of the date first above written.

ORTNER FREIGHT CAR COMPANY

By  Vice President

(Corporate Seal)

Attest:

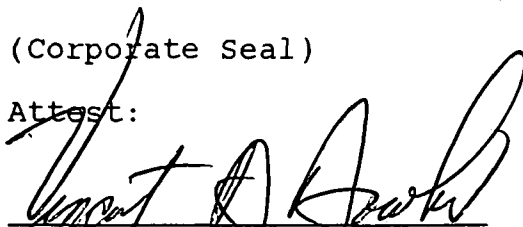

Assistant Secretary

EXCHANGE NATIONAL BANK OF
CHICAGO, not individually but
solely in its capacity as
Trustee under a Trust Agree-
ment dated as of June 1, 1980

By  Vice President

(Corporate Seal)

Attest:


Assistant Secretary

ASSISTANT TRUST OFFICER

STATE OF OHIO)
) SS
COUNTY OF HAMILTON)

On this 15TH day of SEPTEMBER, 1980, before me personally appeared J. L. ORTNER JR., to me personally known who, being by me duly sworn, said that he is a Vice President of Ortner Freight Car Company, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Howard E. Parr
Notary Public

(Notarial Seal)

My commission expires

HOWARD E. PARR

Notary Public, State of Ohio

My Commission Expires August 20, 1983

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

On this 5 day of SEPT, 1980, before me personally appeared MICHAEL D. GOODMAN, to me personally known, who, being by me duly sworn, said that he is a Vice President of Exchange National Bank of Chicago, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Mary Ann Krauchunas
Notary Public

(Notarial Seal)

My commission expires

My Commission Expires December 13, 1983

Exhibit A to
Conditional Sale Agreement

KENTUCKY SALES TAX

EXEMPTION CERTIFICATE

TO: Ortner Freight Car Company
2652 Erie Avenue
Cincinnati, Ohio 45208

The undersigned hereby certifies that it intends to purchase from Ortner Freight Car Company the tangible personal property described below which is railroad rolling stock, which the undersigned will use in interstate commerce and which the undersigned claims is exempt from the application of the Kentucky sales tax under the "rolling stock" exemption pursuant to KRS 139.480(1).

Description of Property to be Purchased:

Seventy (70) Rapid Discharge TM Coal Cars

Purchasers: Exchange National Bank of Chicago,
not individually but solely as
Trustee under a Trust Agreement
dated as of June 1, 1980 with
First Security Bank of Idaho, N.A.

By _____
Officer

Address of Purchaser:

130 South LaSalle Street
Chicago, Illinois 60690

<u>Type</u>	<u>Builder's Specifications</u>	<u>Builder's Plant</u>	<u>Quantity</u>	<u>Car Numbers (Both Inclusive)</u>	<u>Base Price Per Car</u>	<u>Estimated Time and Place of Delivery</u>
100-ton (3,800 cu.ft.) coal hopper cars	Per Sierra Pacific Power Company and Idaho Power Company Purchase Order No. 1001 dated May 9, 1979 and Proposal No. OCN 1415-1-79 of Ortner Freight Car Co., as amended by Supplements No. 1 and 2 and letter of acceptance dated May 30, 1979 of Ortner Freight Car Co.	21st & Augustine Streets Covington, Kentucky 41014	70	VALX 80,001 - 80,070	\$42,000	October 15, 1980 through November 15, 1980 at Covington, Kentucky.

Annex A to
Conditional Sale Agreement

Annex B to
Conditional Sale Indebtedness

Allocation Schedule of Each \$1,000,000
of Conditional Sale Indebtedness

<u>DATE</u>	<u>BEGINNING PRINCIPAL</u>	<u>DEBT SERVICE</u>	<u>INTEREST (at 14-1/2% per annum)</u>	<u>PRINCIPAL</u>	<u>REMAINING BALANCE</u>
July 1, 1981	\$1,000,000.00	*	*		
January 1, 1982	1,000,000.00	\$74,501.28	72,500.00	\$ 2,001.28	\$997,998.72
July 1, 1982	997,998.72	74,501.28	72,354.91	2,146.37	995,852.35
January 1, 1983	995,852.35	74,501.28	72,199.30	2,301.98	993,550.37
July 1, 1983	993,550.37	74,501.28	72,032.40	2,468.88	991,081.49
January 1, 1984	991,081.49	74,501.28	71,853.40	2,647.88	988,433.61
July 1, 1984	988,433.61	74,501.28	71,661.44	2,839.84	985,593.77
January 1, 1985	985,593.77	74,501.28	71,455.54	3,045.74	982,548.03
July 1, 1985	982,548.03	74,501.28	71,234.73	3,266.55	979,281.48
January 1, 1986	979,281.48	74,501.28	70,997.90	3,503.38	975,778.10
July 1, 1986	975,778.10	74,501.28	70,743.88	3,757.40	972,020.70
January 1, 1987	972,020.70	74,501.28	70,471.50	4,029.78	967,990.92
July 1, 1987	967,990.92	74,501.28	70,179.33	4,321.95	963,668.97
January 1, 1988	963,668.97	74,501.28	69,866.00	4,635.28	959,033.69
July 1, 1988	959,033.69	74,501.28	69,529.94	4,971.34	954,062.35
January 1, 1989	954,062.35	74,501.28	69,169.51	5,331.77	948,730.58
July 1, 1989	948,730.58	74,501.28	68,782.97	5,718.31	943,012.27
January 1, 1990	943,012.27	74,501.28	68,368.38	6,132.90	936,879.37
July 1, 1990	936,879.37	74,501.28	67,923.75	6,577.53	930,301.84
January 1, 1991	930,301.84	74,501.28	67,446.88	7,054.40	923,247.44
July 1, 1991	923,247.44	74,501.28	66,935.44	7,565.84	915,681.60
January 1, 1992	915,681.60	74,501.28	66,386.91	8,114.37	907,567.23
July 1, 1992	907,567.23	74,501.28	65,798.62	8,702.66	898,864.57
January 1, 1993	898,864.57	91,057.12	65,167.68	25,889.44	872,975.13
July 1, 1993	872,975.13	91,057.12	63,290.69	27,766.43	845,208.70
January 1, 1994	845,208.70	91,057.12	61,277.63	29,779.49	815,429.21
July 1, 1994	815,429.21	91,057.12	59,118.61	31,938.51	783,490.70
January 1, 1995	783,490.70	91,057.12	56,803.07	34,254.05	749,236.65
July 1, 1995	749,236.65	91,057.12	54,316.66	36,737.46	712,499.19
January 1, 1996	712,499.19	91,057.12	51,656.22	39,400.90	673,098.29
July 1, 1996	673,098.29	91,057.12	48,799.58	42,257.54	630,840.75

<u>DATE</u>	<u>BEGINNING PRINCIPAL</u>	<u>DEBT SERVICE</u>	<u>INTEREST (at 14-1/2% per annum)</u>	<u>PRINCIPAL</u>	<u>REMAINING BALANCE</u>
January 1, 1997	630,840.75	91,057.12	45,735.95	45,321.17	585,519.58
July 1, 1997	585,519.58	91,057.12	42,450.17	48,606.95	536,912.63
January 1, 1998	536,912.63	91,057.12	38,926.17	52,130.95	484,781.68
July 1, 1998	484,781.68	75,616.29	35,147.46	40,468.83	444,312.85
January 1, 1999	444,312.85	69,036.21	32,209.82	36,826.39	407,486.46
July 1, 1999	407,486.46	56,473.76	29,544.92	26,928.84	380,557.62
January 1, 2000	380,557.62	66,841.76	27,590.42	39,251.34	341,306.28
July 1, 2000	341,306.28	59,354.01	24,744.70	34,609.31	306,696.97
January 1, 2001	306,696.97	91,057.12	22,235.53	68,821.59	237,875.38
July 1, 2001	237,875.38	91,057.12	17,235.96	73,821.16	164,054.22
January 1, 2002	164,054.22	91,057.12	11,934.65	79,122.47	84,931.75
July 1, 2002	84,931.75	91,057.12	6,125.37	84,931.75	-0-

*Interest only payable on July 1, 1981.

Annex C to
Conditional Sale Agreement

LEASE OF RAILROAD EQUIPMENT

Dated as of June 1, 1980

between

EXCHANGE NATIONAL BANK OF CHICAGO,

as Owner-Trustee

and

SIERRA PACIFIC POWER COMPANY

and

IDAHO POWER COMPANY

70 ONE HUNDRED-TON

COAL HOPPER CARS

LEASE OF RAILROAD EQUIPMENT

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LEASE OF RAILROAD EQUIPMENT dated as of June 1, 1980 between EXCHANGE NATIONAL BANK OF CHICAGO, not individually but solely in its capacity as Trustee (hereinafter, together with its successors and assigns, called the Lessor) under a Trust Agreement dated as of the date hereof (hereinafter called the Trust Agreement) with FIRST SECURITY BANK OF IDAHO, N.A. (hereinafter called the Beneficiary), and SIERRA PACIFIC POWER COMPANY and IDAHO POWER COMPANY (hereinafter called collectively the Lessees and individually a Lessee).

WHEREAS, the Lessor has entered into a Conditional Sale Agreement dated as of the date hereof (hereinafter called the Conditional Sale Agreement) with ORTNER FREIGHT CAR COMPANY (hereinafter called the Builder) covering the construction, sale and delivery, on the conditions therein set forth, by the Builder and the purchase by the Lessor of the railroad equipment described in Annex A hereto (hereinafter called the Equipment);

WHEREAS, the Builder and LASALLE NATIONAL BANK, as Agent (hereinafter called the Assignee) under a Participation Agreement dated as of the date hereof (hereinafter called the Participation Agreement) with the Lessees, the Builder, the Lessor, the Beneficiary and the Investors named therein, have entered into an Agreement and Assignment dated as of the date hereof (hereinafter called the Assignment) assigning to the Assignee the right, security title and interest of the Builder under the Conditional Sale Agreement as security for the payment of the Conditional Sale Indebtedness (as defined in the Conditional Sale Agreement);

WHEREAS, the Lessees desire to lease all the units of the Equipment, or such lesser number as are delivered, accepted and settled for under the Conditional Sale Agreement, at the rentals, for the terms and upon the conditions hereinafter stated (such number of units as are delivered, accepted and settled for under the Conditional Sale Agreement being hereinafter called the Units); and

WHEREAS, in order to provide further security for the payment of the Conditional Sale Indebtedness and as an inducement to the Investors to invest in the Conditional Sale Indebtedness, the Lessor will, concurrently with its execution and delivery of this Lease, enter into an Assignment of Lease and Agreement dated as of the date hereof (hereinafter called the Lease Assignment) with the Assignee assigning for security purposes certain of its rights in, to and under this Lease to the Assignee and the Lessees will acknowledge and consent thereto pursuant to the Consent and Agreement (hereinafter called the Consent) in the form attached to the Lease Assignment;

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter men-

tioned to be kept and performed by the Lessees, the Lessor hereby leases the Units to the Lessees upon the following terms and conditions:

SECTION 1. Net Lease. This Lease is a net lease and the Lessees shall not be entitled to any abatement of rent, reduction thereof or set-off against rent, including, but not limited to, abatements, reductions or set-offs due or alleged to be due by reason of any past, present or future claims of the Lessees against the Lessor under this Lease or otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessees be otherwise affected, by reason of any defect in or failure of title of the Lessor to any of the Units or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against the Lessees' use of all or any of the Units, the taking or requisitioning of any of the Units by condemnation or otherwise, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency of or the bankruptcy, reorganization or similar proceeding against either of the Lessees, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessees hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessees hereby waive any and all rights which they may now have or which at any time hereafter may be conferred upon them, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each rental or other payment made by the Lessees hereunder shall be final, and the Lessees shall not seek to recover all or any part of such payment from the Lessor for any reason whatsoever. Nothing in this paragraph shall be construed to limit the right of the Lessees to proceed, by appropriate legal action, to recover from a defaulting party the Lessees' damages, costs and expenses arising from and attributable to such default.

SECTION 2. Delivery and Acceptance of Units. The Lessor hereby appoints the Lessees as its agent for the inspection and acceptance of, and the approval of all invoices relating to, the Units pursuant to the Conditional Sale Agreement and the Assignment. Each Unit is to be delivered to the Lessees, acting as such agent of the Lessor, by the Builder under the Conditional Sale Agreement at the place of delivery designated in the Conditional Sale Agree-

ment and in Annex A hereto. As provided in Article 3 of the Conditional Sale Agreement, each Unit is to be delivered, inspected and accepted concurrently with the settlement therefor on the Closing Date for such Unit pursuant to Article 4 of the Conditional Sale Agreement. Upon such delivery on such Closing Date, the Lessees will cause an employee of one of the Lessees or an authorized representative of the Lessees to inspect the same and, if such Unit is found to be acceptable, to accept delivery of such Unit on such Closing Date on behalf of the Lessor under the Conditional Sale Agreement and on their behalf hereunder and execute and deliver to the Lessor and the Builder a certificate of acceptance (hereinafter called a Certificate of Acceptance), in accordance with the provisions of Article 3 of the Conditional Sale Agreement, stating that such Unit has been inspected and accepted on behalf of the Lessees and the Lessor on such Closing Date and is marked in accordance with Section 5, whereupon such Unit shall be deemed to have been delivered to and accepted by the Lessees and shall thereafter be subject to all the terms and conditions of this Lease, and the Lessees may, upon, but not prior to, completion of the settlement for such Unit in accordance with Article 4 of the Conditional Sale Agreement, commence their use of such Unit pursuant to Section 13 hereof.

SECTION 3. Rentals. The Lessees agree to pay to the Lessor, as rental for each Unit subject to this Lease, 45 consecutive semi-annual payments on January 1 and July 1 in each year, commencing July 1, 1981. The rental payment due on July 1, 1981 shall be in an amount equal to .039726% of the Purchase Price (as defined in the Conditional Sale Agreement) of each Unit then subject to this Lease for each day elapsed from the Closing Date (as defined in the Conditional Sale Agreement) for such Unit computed on the basis of the actual number of days elapsed between such dates on a calendar year basis, to and including the date of such payment. The next 22 semi-annual rental payments, commencing on January 1, 1982 and ending with the payment on July 1, 1992, shall each be in an amount equal to 4.58853% of the Purchase Price of each Unit then subject to this Lease and the remaining 22 semi-annual rental payments, commencing on January 1, 1993 and ending with the payment on July 1, 2003, shall each be in an amount equal to 5.60820% of the Purchase Price of each Unit then subject to this Lease.

The Lessees and the Lessor agree that rentals payable hereunder and the Casualty Value percentages set forth in Section 7 will be adjusted up or down in the event that any change in the Internal Revenue Code of 1954 (the Code), the income tax regulations thereunder or published administrative interpretations of the Code or such regulations is enacted or has an effective date, or a decision of a federal court is rendered and published, on or prior to the first Closing Date occurring under the Conditional Sale Agreement, which

change or decision affects the tax assumptions set forth in Section 1(a) of the Indemnity Agreement, as defined in the Participation Agreement, or the federal income tax rate. Any such adjustment shall be effective as of the first rental payment date following the event giving rise to such adjustment, and shall be made in such manner as will result, in the Owner's reasonable judgment, in preserving for the Owner both the after-tax rate of return and the after-tax cash flow that would have been realized by the Owner had such event not occurred, based on the assumptions and methods of calculation utilized by the Owner in originally evaluating the transaction described in this Lease; provided, however, that the rentals and Casualty Value percentages, as so adjusted, shall be sufficient to satisfy the obligations of the Lessor under the Conditional Sale Agreement, notwithstanding any limitation of liability contained therein.

If any of the semi-annual rental payment dates referred to above is not a Business Day (as defined in Article 4 of the Conditional Sale Agreement) the semi-annual rental payment otherwise payable on such date shall be payable on the next following Business Day.

The Lessees agree to pay to the Lessor as supplemental rental hereunder the amounts, if any, required to be paid by the Lessor pursuant to the last paragraph of Paragraph 5 of the Participation Agreement at the times therein provided.

SECTION 4. Term of Lease. The term of this Lease as to each Unit shall begin on the date of delivery and acceptance of such Unit hereunder in accordance with the provisions of Section 2 hereof and, subject to the provisions of Sections 7, 8, 11 and 14, shall terminate on the date on which the final payment of rent in respect thereof is due pursuant to Section 3.

Anything herein to the contrary notwithstanding, all rights and obligations of the Lessees under this Lease and in and to the Units are subject to the rights of the Assignee under the Conditional Sale Agreement and the Assignment provided, however, that so long as the Lessees shall not be in default under this Lease, this Lease may not be terminated and the Lessees shall be entitled to the right of possession and use of the Units provided in Section 13 hereof. Subject only to the rights of the Lessor against the Lessees referred to in Article 16 of the Conditional Sale Agreement, if an Event of Default shall occur and be continuing under the Conditional Sale Agreement, the Assignee may terminate this Lease (or rescind its termination), all as provided herein, unless the Lessees are not in default under this Lease.

SECTION 5. Identification Marks. The Lessees will cause each Unit to be kept numbered with an identifying

number as set forth in Annex A hereto, or in the case of any Unit not there listed such identifying number as shall be set forth in any amendment or supplement hereto extending this Lease to cover such Unit, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the words "Owned by a Bank or Trust Company. Ownership Subject to a Security Agreement Filed with the Interstate Commerce Commission", with appropriate changes thereof and additions thereto as from time to time may be required by applicable rules, regulations and laws, including, but not limited to, the rules and regulations of the Association of American Railroads, in order to protect the Lessor's and the Assignee's title to and property interest in such Unit and the rights of the Lessor under this Lease and of the Assignee under the Conditional Sale Agreement.

In the event that the Lessor shall become obligated to change any markings on any Unit or to incur any cost in connection therewith pursuant to Article 15 of the Conditional Sale Agreement, the Lessees shall, at the request of the Lessor, make such marking changes and pay to the Lessor such additional amounts as will enable the Lessor to fulfill such obligations under said Article 15. The Lessees will not place any such Unit in operation or exercise any control or dominion over the same until such markings shall have been made thereon and will replace promptly any such markings which may be removed, defaced, obliterated or destroyed. The Lessees will not change the identifying number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Assignee and the Lessor and filed, recorded, registered and deposited by the Lessees in all public offices where this Lease and the Conditional Sale Agreement shall have been filed, recorded, registered and deposited and (ii) the Lessees shall have furnished to the Assignee and the Lessor an opinion of counsel for either of the Lessees with respect thereto satisfactory to the Assignee and the Lessor.

Except as provided in the immediately preceding paragraph, the Lessees will not allow the name of any person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership; provided, however, that the Units may be lettered with the names or initials or other insignia customarily used by either of the Lessees.

SECTION 6. Taxes. All payments to be made by the Lessees hereunder will be free of expense to the Lessor for collection or other charges and will be free of expense to the Lessor with respect to the amount of any local, state, federal or foreign taxes (other than any United States federal income tax and, to the extent that the Lessor (or the Beneficiary) receives credit therefor against its United

States federal income tax liability, any foreign income tax payable by the Lessor (or the Beneficiary) in consequence of the receipt of payments provided herein and other than the aggregate of all state and city income taxes and franchise taxes measured by net income or gross income or gross receipts taxes based on such receipts other than gross receipts taxes in the nature of sales or use taxes, up to the amount of any such taxes which would have been payable to states and political subdivisions thereof by the Lessor (or the Beneficiary) without regard to this Lease, the Participation Agreement, the Conditional Sale Agreement and the transactions contemplated therein, except any such tax which is in substitution for or relieves the Lessees from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided), assessments, documentary stamp taxes, or license fees and any charges, fines or penalties in connection therewith (hereinafter called collectively Impositions) now or hereafter levied or imposed upon or in connection with or measured by this Lease or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof or the Conditional Sale Agreement or any assignment hereof or thereof, all of which Impositions the Lessees assume and agree to pay on demand in addition to the payments to be made by them provided for herein. The Lessees will also pay promptly all Impositions which may be imposed upon any Unit or for the use or operation thereof or upon the earnings arising therefrom or upon the Lessor solely by reason of its ownership thereof (other than any Impositions imposed upon the Lessor and directly attributable to the gross negligence or willful misconduct of the Lessor) and will keep at all times all and every part of such Unit free and clear of all Impositions which might in any way affect the title of the Lessor or result in a lien upon any such Unit; provided, however, that the Lessees shall be under no obligation to pay any Impositions so long as they are contesting in good faith and by appropriate legal proceedings such Impositions and the nonpayment thereof does not, in the advance opinion of the Lessor, adversely affect the title, property or rights of the Lessor hereunder or the rights of the Assignee under the Conditional Sale Agreement; and provided further that the Lessees shall not be required to indemnify any party on account of such party's foreign income tax liability unless such liability arises from the use, operation or maintenance of the Units by the Lessees or any of their sublessees or assigns. If any Impositions shall have been charged or levied against the Lessor or the Assignee directly and paid by the Lessor, the Lessees shall reimburse the Lessor or the Assignee on presentation of an invoice therefor.

In the event that the Lessor shall become obligated to make any payment to the Builder or the Assignee pursuant to Article 6 of the Conditional Sale Agreement not covered by the foregoing paragraph of this Section 6, the Lessees shall

pay such additional amounts (which shall also be deemed Impositions hereunder) to the Lessor as will enable the Lessor to fulfill completely its obligations pursuant to said Article 6.

The amount which the Lessees shall be required to pay in accordance with this Section 6 shall be an amount which, after deduction of all taxes and other charges in respect of the receipt of such amount under the laws of any federal, state or local governmental or taxing authority in the United States or under the laws of any foreign country or subdivision or any taxing authority thereof or therein, is sufficient (in the reasonable opinion of the Beneficiary, but without the utilization of any tax benefit of the Beneficiary not attributable to the Impositions giving rise to such payments except to the extent that any such tax benefit would in the reasonable opinion of the Beneficiary otherwise expire unused), to restore the Lessor and the Beneficiary to the same after-tax position that they would have been in had the Impositions giving rise to such payments not been imposed. The amount to be paid to the Lessor pursuant to the preceding sentence shall be determined by the Beneficiary (after reasonable consultation with the Lessees) whose good faith determination shall be conclusive.

In the event any reports with regard to Impositions are required to be made on the basis of individual Units or otherwise, the Lessees will, where permitted to do so under applicable rules or regulations, make and timely file such reports in such manner as to show the interests of the Lessor and the Builder or the Assignee in the Units as shall be satisfactory to the Lessor and the Assignee or, where not so permitted, will notify the Lessor and the Assignee of such requirement and will prepare and deliver such reports to the Lessor and the Assignee within a reasonable time prior to the time such reports are to be filed in such manner as shall be satisfactory to the Lessor, the Beneficiary and the Assignee.

In the event that, during the term of this Lease, including any renewal thereof, the Lessees become liable for the payment or reimbursement of any Impositions, pursuant to this Section 6, such liability shall continue, notwithstanding the expiration of this Lease, until all such Impositions are paid or reimbursed by the Lessees.

SECTION 7. Payment for Casualty Occurrences; Insurance.
In the event that any Unit shall become lost, stolen, destroyed, irreparably damaged from any cause whatsoever or taken or requisitioned by condemnation or otherwise by the United States Government for a stated period which shall exceed the then remaining term of the Lease or for an indefinite period, but only, in the case of an indefinite period, after such taking or requisition continues for a period of one year, or by any other governmental entity resulting in loss of possession by the Lessees for a period of one year

during the term of this Lease (such occurrences being hereinafter called Casualty Occurrences), the Lessees shall promptly and fully notify the Lessor and the Assignee with respect thereto. On the rental payment date next succeeding such notice, the Lessees shall pay to the Lessor an amount equal to the rental payment or payments in respect to such Unit not theretofore paid and which are due and payable on or prior to such date plus a sum equal to the Casualty Value (as hereinafter defined) of such Unit as of the date of such payment in accordance with the schedule set out below. Upon (but not prior to) the making of such payments by the Lessees in respect of any Unit, the rental for such Unit shall thereafter cease to accrue, the term of this Lease as to such Unit shall terminate and the Lessor shall be entitled to recover possession of such Unit. The Lessor hereby appoints the Lessees as its agent to dispose of any Unit suffering a Casualty Occurrence (including any Unit suffering a Casualty Occurrence during the storage period provided for such Unit in Section 15 hereof) or any component thereof at the best price obtainable on an "as is, where is" basis. If the Lessees shall have previously paid the Casualty Value to the Lessor, the Lessees shall be entitled to the proceeds of such sale to the extent that such proceeds do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor.

The Casualty Value of each Unit as of the rental payment date on which payment is to be made as aforesaid shall be that percentage of the Purchase Price of such Unit as is set forth in the following schedule opposite such date:

<u>Rental Payment Date</u>	<u>Percentage</u>
July 1, 1981.....	107.1941%
January 1, 1982.....	107.1941%
July 1, 1982.....	108.0671%
January 1, 1983.....	110.0611%
July 1, 1983.....	110.8866%
January 1, 1984.....	112.1305%
July 1, 1984.....	106.4716%
January 1, 1985.....	107.2429%
July 1, 1985.....	107.6805%
January 1, 1986.....	107.8900%
July 1, 1986.....	101.7317%
January 1, 1987.....	101.5886%
July 1, 1987.....	101.5298%
January 1, 1988.....	100.9862%
July 1, 1988.....	94.4242%
January 1, 1989.....	93.8081%
July 1, 1989.....	93.5277%
January 1, 1990.....	92.7142%
July 1, 1990.....	92.4099%
January 1, 1991.....	91.4485%
July 1, 1991.....	91.0966%

January 1, 1992.....	90.0314%
July 1, 1992.....	89.6131%
January 1, 1993.....	87.4528%
July 1, 1993.....	85.8810%
January 1, 1994.....	83.5458%
July 1, 1994.....	81.7568%
January 1, 1995.....	79.2221%
July 1, 1995.....	77.1860%
January 1, 1996.....	74.4237%
July 1, 1996.....	72.1064%
January 1, 1997.....	69.0842%
July 1, 1997.....	66.4464%
January 1, 1998.....	63.1273%
July 1, 1998.....	60.1389%
January 1, 1999.....	56.5646%
July 1, 1999.....	53.2816%
January 1, 2000.....	49.4706%
July 1, 2000.....	45.8826%
January 1, 2001.....	41.8239%
July 1, 2001.....	37.9465%
January 1, 2002.....	33.6967%
July 1, 2002.....	29.5590%
January 1, 2003.....	25.1210%
July 1, 2003.....	20.6142%

Whenever any Unit shall suffer a Casualty Occurrence after expiration of this Lease and before such Unit shall have been returned in the manner provided in Section 15 hereof or during the 120 day storage period provided for such Unit in said Section 15, the Lessees shall promptly and fully notify the Lessor with respect thereto and pay to the Lessor an amount equal to 20.6142% of the Purchase Price of such Unit. Upon (but not prior to) the making of such payment by the Lessees in respect of any Unit, the storage period with respect to such Unit shall terminate and the Lessor shall be entitled to recover possession of such Unit.

Except as hereinabove in this Section 7 provided, the Lessees shall not be released from their obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit from and after delivery and acceptance thereof by the Lessees hereunder.

In the event of the requisition for use by the United States Government or any other governmental entity (hereinafter called the Government) of any Unit during the term of this Lease or any renewal thereof, all of the Lessees' obligations under this Lease with respect to such Unit shall continue to the same extent as if such requisition had not occurred, except to the extent the Lessees' obligations are modified pursuant to the first paragraph of this Section 7 with respect to any such requisition which represents a Casualty Occurrence, as defined therein; provided, however, that if any Unit requisitioned by the Government is returned

by the Government at any time after the end of the term of this Lease or any renewal thereof, the Lessees shall be obligated to return such Unit to the Lessor pursuant to Section 12 or Section 15 hereof, as the case may be, promptly upon such return by the Government rather than at the end of the term of this Lease or any renewal thereof, but the Lessees shall in all other respects comply with the provisions of said Section 12 or Section 15, as the case may be, with respect to such Unit. All payments received by the Lessor or the Lessees from the Government for the use of such Unit during the term of this Lease or any renewal thereof shall be paid over to, or retained by, the Lessees provided no Event of Default (or other event which after notice, demand and/or lapse of time would become an Event of Default) shall have occurred and be continuing; and all payments received by the Lessor or the Lessees from the Government for the use of such Unit after the term of this Lease or any renewal thereof, shall, to the extent of the Casualty Value theretofore paid by the Lessees, be paid over to, or retained by the Lessees, and any such amounts paid in excess of such Casualty Value shall be paid over to, or retained by, the Lessor.

The Lessees will, at all times while this Lease is in effect (including during any storage period as described in Section 12 or Section 15 hereof), at their own expense, cause to be carried and maintained property insurance in respect of the Units at the time subject hereto, and public liability insurance, in amounts, with deductibles, and against risks customarily insured against by companies owning property of a similar character and engaged in a business similar to that engaged in by the Lessees, and in any event in amounts and against risks comparable to those insured against by the Lessees on equipment similar to the Units which is owned or leased by the Lessees; provided, however, that in the case of property insurance, the Lessees will be permitted to self-insure to the extent they self-insure property of a similar nature to the Units and to the extent consistent with prudent industry practice. Such insurance, except to the extent the Lessees are permitted to and do self-insure, shall be maintained with insurance companies, underwriters or funds which shall be satisfactory to the Lessor and the Assignee and which shall be authorized to do business in the jurisdictions in which the Units may from time to time be located. At or prior to the date the first Unit is placed under this Lease, the Lessees shall deliver Certificates of Insurance to the Lessor, the Assignee and the Beneficiary which shall provide that the Assignee, the Lessor and the Beneficiary shall receive not less than 30 days written notice of any cancellations of any of such policies or of any material change in the coverage to be provided thereunder. All such public liability insurance shall protect the Lessees, the Lessor, the Beneficiary and the Assignee in respect of risks arising out of the condi-

tion, maintenance, use, ownership or operation of the Units. All such property insurance shall cover the interests in the Units of the Lessees, the Lessor, the Beneficiary and the Assignee and shall provide that losses in respect of the Units shall be payable to such insureds as their respective interests may appear; provided that so long as any indebtedness under the Conditional Sale Agreement shall remain unpaid, losses under such property insurance shall be payable to the Assignee under a standard mortgage loss payable clause satisfactory to the Assignee. Any net property insurance proceeds resulting from insurance carried by the Lessees received by the Lessor in respect of Units suffering a Casualty Occurrence shall be deducted from the amounts payable by the Lessees to the Lessor in respect of Casualty Occurrences pursuant to this Section 7. If the Lessor shall receive any such net property insurance proceeds or condemnation payments after the Lessees shall have made payments pursuant to this Section 7 without deduction for such net property insurance proceeds or such condemnation payments, the Lessor shall pay such net property insurance proceeds or condemnation payments to the Lessees up to an amount equal to the Casualty Value with respect to a Unit paid by the Lessees unless an Event of Default or other event which, with notice, demand and/or lapse of time, would constitute such an Event of Default, shall have occurred and be continuing, in which case the amount otherwise payable to the Lessees may be retained by the Lessor and applied to discharge the liabilities of the Lessees under Section 11. The balance of such net insurance proceeds or condemnation payments shall remain the property of the Lessor. All net insurance proceeds received by the Lessor or the Lessees with respect to a Unit not suffering a Casualty Occurrence shall be applied in payment of the cost of repairing the damage to such Unit, and any balance remaining after the completion of such repairs shall be paid to the Lessees unless an Event of Default or other event which, with notice, demand and/or lapse of time, would constitute an Event of Default, shall have occurred and be continuing, in which case the amount otherwise payable to the Lessees may be retained by the Lessor and applied to discharge the liabilities of the Lessees under Section 11. Except as otherwise hereinabove provided, any condemnation payments received with respect to a Unit not suffering a Casualty Occurrence shall be the property of the Lessor.

Copies of all insurance policies issued pursuant to the provisions of the preceding paragraph shall be delivered to the Assignee and the Lessor.

SECTION 8. Voluntary Termination. Unless an Event of Default or other event which, with notice, demand and/or lapse of time, would constitute an Event of Default, shall have occurred and be continuing hereunder, the Lessees shall be entitled, at their option, upon at least 120 days prior

written notice to the Lessor and the Assignee, to terminate this Lease as to all (but not less than all) of the Units if the Lessees shall have made a good faith determination that all (but not less than all) of the Units have become obsolete or surplus to the Lessees' operations, which notice shall be accompanied by a certified copy of resolutions adopted by the Board of Directors of each of the Lessees making such determination and a written statement of the President or a Vice-President of each of the Lessees setting forth a summary of the basis for such determination; provided, however, that such termination shall become effective only on a rental payment date (hereinafter in this Section 8 called the Termination Date) and in no event prior to July 1, 1988; and provided further, that such termination shall not take effect unless the Lessees shall have fully complied with the succeeding paragraphs of this Section 8. For the purposes of this Section 8, interest rates or similar finance charges payable by the Lessees in connection with the acquisition of similar equipment under conditional sale contracts, leases or other arrangements for deferred payment of the purchase price thereof, shall be disregarded in determining whether such Units have become obsolete or surplus. The Lessees shall also disregard in making such determination any equipment of a type similar to the Units acquired under purchase or lease by any of the Lessees during the twelve month period preceding the proposed Termination Date.

During the period from the giving of such notice to the Termination Date, the Lessees, as agent, without compensation, for the Lessor, shall use their best efforts to obtain bids for the purchase of all the Units on an "as is, where is" basis, and the Lessees shall certify to the Lessor in writing the amount of each bid received and the name and address of the person (who shall not be either of the Lessees or any person, firm or corporation which is an affiliate of either of the Lessees) submitting such bid. An "affiliate" of either of the Lessees shall mean any person which possesses, directly or indirectly, the right to vote at least 20% of the voting securities of such Lessee, or any person which, directly or indirectly, controls or is controlled by or is under common control with such Lessee, and "control" (including "controlled by" and "under common control with"), as used with respect to any person, shall mean the possession, directly or indirectly, of the power to direct or control the direction of the management and policies of such person, whether through the ownership of voting securities, by contract or otherwise. On the Termination Date, the Lessor shall, without recourse or warranty, sell all the Units for cash to whomsoever shall have submitted the highest bid from any source prior to the Termination Date, and thereupon the Lessees shall cause to be delivered the Units to the Lessor in accordance with the terms of Section 15; provided, however, that if the highest bid received shall be less than 90% of the Casualty Value of the Units computed as of the Termina-

tion Date, the Lessees shall have the option, exercisable on or prior to the Termination Date, to rescind their notice to terminate this Lease. If the Lessees exercise their option to rescind their notice to terminate this Lease or if the sale of the Units shall not occur on the Termination Date for any other reason, the Lessees shall not cause such delivery of any of the Units to the Lessor; and this Lease shall continue in full force and effect as to all of the Units. The Lessor shall be under no duty to (but may) solicit bids, to inquire into the efforts of the Lessees to obtain bids or otherwise to take any action in connection with any such sale other than as expressly provided in this Section 8.

The total sale price realized at any such sale of the Units shall be retained by the Lessor and, in addition, the Lessees shall pay to the Lessor the excess, if any, of (i) the Casualty Value of the Units computed as of the Termination Date over (ii) the proceeds of such sale less all expenses including reasonable counsels' fees incurred by the Lessor in connection with such sale or with the collection or distribution of such payment. The Lessees shall also be obligated to pay the Lessor any and all rentals and other sums due hereunder with respect to the Units accrued up to and including the Termination Date. In the event of such sale and compliance by the Lessees with all the provisions of this Section 8, the obligations of the Lessees to pay rental hereunder on all rental payment dates commencing after the Termination Date shall terminate.

SECTION 9. Reports. On or before March 31 in each year, commencing with the year 1982, and at such other times as the Lessor may reasonably request, the Lessees will furnish to the Lessor, the Beneficiary, the Investors and the Assignee an accurate statement (a) setting forth as at the preceding December 31 the amount, description and numbers of all Units then leased hereunder and covered by the Conditional Sale Agreement, the amount, description and numbers of all Units that have suffered a Casualty Occurrence or are then undergoing repairs (other than running repairs) or have been withdrawn from use pending repairs (other than running repairs) during the preceding calendar year and such other information regarding the condition and state of repair of the Units as the Lessor or the Assignee may reasonably request, (b) stating that, in the case of all Units repaired or repainted during the period covered by such statement, the numbers and markings required by Section 5 and the Conditional Sale Agreement have been preserved or replaced and (c) covering such other matters relative to the Units and the Lessees' performance of their obligations hereunder as the Lessor may reasonably request. The Lessor and/or its duly appointed agents shall have the right to inspect the Units and the Lessees' records with respect thereto at such reasonable times as the Lessor may request during the term of this Lease.

Each Lessee will promptly furnish to the Lessor, the Beneficiary, the Investors and the Assignee (i) as soon as available, and in any event within 120 days after the end of each fiscal year of such Lessee, copies of its Form 10-K Annual Report to the Securities and Exchange Commission for such fiscal year (or any other comparable report substituted therefor which includes certified annual financial information), (ii) as soon as available, and in any event within 45 days after the end of each of the first three quarterly periods of each such fiscal year, copies of its Form 10-Q Reports to the Securities and Exchange Commission for such quarterly periods (or any other comparable report substituted therefor which includes quarterly financial information), and (iii) as soon as available, copies of all reports which it routinely sends to its shareholders.

SECTION 10. Disclaimer of Warranties; Compliance with Laws and Rules; Maintenance; Indemnification. THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS DELIVERED TO THE LESSEES HEREUNDER, AND THE LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, NOR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT, EITHER UPON DELIVERY THEREOF TO THE LESSEES OR OTHERWISE, it being agreed that all such risks, as between the Lessor and the Lessees, are to be borne by the Lessees; but the Lessor hereby irrevocably appoints and constitutes the Lessees as its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessees, as their interests may appear, at the Lessees' sole cost and expense, whatever claims and rights the Lessor may have against the Builder under the provisions of Article 14 of the Conditional Sale Agreement; provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor or its successors and assigns may assert and enforce, at the Lessees' sole cost and expense, such claims and rights. The Lessor shall have no responsibility or liability to the Lessees or any other person with respect to the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Unit or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Unit or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages of any person; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Lessees' delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessees and the Lessor that the Units described therein are

in all of the foregoing respects satisfactory to the Lessees, and the Lessees will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

The Lessees agree for the benefit of the Lessor and the Assignee, to comply in all respects with all laws (including, but not limited to, laws with respect to the use, maintenance and operation of each Unit) of the jurisdictions in which operations involving the Units may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation, maintenance or use of the Units; and in the event that such laws or rules require any alteration, replacement or addition of or to any part of any Unit, the Lessees will conform therewith at their own expense; provided, however, that the Lessees may, at their own expense, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Lessor or the Assignee, adversely affect the property title or rights of the Lessor or the Assignee under this Lease or under the Conditional Sale Agreement.

The Lessees agree that, at their own cost and expense, they will be responsible for ordinary maintenance and repairs required to maintain and keep each Unit which is subject to this Lease in as good operating order, repair and condition as when delivered to them, ordinary wear and tear excepted. During the term of this Lease, including renewal terms, the Lessees shall cause the Units to be maintained by North American Car Corporation or any other entity, including either of the Lessees, approved by the Lessor, which approval shall not be unreasonably withheld, under maintenance agreements providing that such entity shall maintain the Units in the manner and to the standards set forth in this Lease.

Any and all additions to any Unit, and any and all parts installed on and additions and replacements made to any Unit (other than such parts or additions which can be removed from a Unit without material damage to that Unit, which parts or additions shall remain the property of the Lessees), shall constitute accessions to such Unit and ownership thereof, free from any lien, charge, security interest or encumbrance (except for those created by the Conditional Sale Agreement or this Lease), shall immediately be vested in the Lessor and the Assignee as their respective interests appear in such Unit. Without the prior written consent of the Lessor, which consent shall not be unreasonably withheld, the Lessees shall not make nor allow to be made any additions or attachments to any Unit which are not

readily removable without causing material damage to such Unit, except such additions or attachments which are required to be made pursuant to the provisions of the second paragraph of this Section.

The Lessees agree to indemnify, protect and hold harmless the Lessor, the Beneficiary, the Investors and the Assignee, and their respective successors, assigns, agents and servants, from and against all losses, damages, injuries, liabilities, claims and demands whatsoever (including, but not limited to, claims in which negligence or breach of warranty or contract of such indemnified party is or are alleged), regardless of the cause thereof, and expenses in connection therewith, including counsel fees and expenses, patent liabilities, penalties and interest, arising out of or as the result of the entering into or the performance of the Conditional Sale Agreement or this Lease, including, but not limited to, those in any way relating to or arising or alleged to arise out of: (i) the manufacture, construction, financing, purchase, acceptance, rejection, ownership, delivery, nondelivery, lease, possession, sublease, transport, storage, use, operation, condition, maintenance, sale, return or other disposition of any Unit or portion thereof, (ii) any latent and other defects whether or not discoverable by the Lessor or the Lessees, (iii) any claim for patent, trademark or copyright infringement, (iv) any claims based on strict liability in tort, (v) any injury to or the death of any person or any damage to or loss of property on or near the Units or in any manner growing out of or concerned with, or alleged to grow out of or be connected with, the ownership, use, replacement, adaptation or maintenance of the Units or of any other equipment in connection with the Units, resulting or allegedly resulting from the condition of any thereof, and (vi) any violation or alleged violation by the Lessees, of any provision of this Lease or of any agreement, law, rule, regulation, ordinance or restriction, affecting or applicable to the Units or the lease, ownership, use, replacement, adaptation or maintenance thereof; provided, however that the Lessees shall not be required to indemnify any person for losses or damages sustained by such person and directly attributable to such person's gross negligence or willful misconduct. In the event that the Lessor shall become obligated to make any payment to the Builder pursuant to Article 14 of the Conditional Sale Agreement not covered by the foregoing sentence, the Lessees shall pay such additional amounts to the Lessor as will enable the Lessor to fulfill completely its obligations pursuant to said Article 14. The indemnities arising under this paragraph shall continue in full force and effect notwithstanding the full payment of all obligations under this Lease or the termination of this Lease. The amount which the Lessees shall be required to pay with respect to any indemnification under this Section 10 shall be an amount sufficient to restore the indemnified party to the same net

after-tax position, after considering the net after-tax effect of the receipt of such indemnification by the indemnified party on its United States federal, state and local income taxes or franchise taxes based on net income, that the indemnified party would have been in had such taxes not been imposed. The indemnities arising under this paragraph shall continue in full force and effect notwithstanding the full payment of all obligations under this Lease or the termination of this Lease or any renewal term hereof.

The Lessees agree to prepare, deliver to the Lessor for execution within a reasonable time prior to the required date of filing and file (or, to the extent permissible, to prepare for and file on behalf of the Lessor directly) any and all reports (other than income tax returns) to be filed by the Lessor with any federal, state or other regulatory authority by reason of the ownership by the Lessor of the Units, the security interest in the Units granted to the Assignee or the leasing of the Units to the Lessees.

SECTION 11. Default. If during the continuance of this Lease or any renewal term hereof one or more of the following events (each such event being hereinafter sometimes called an Event of Default) shall occur:

(A) default shall be made in payment of any part of the semi-annual rentals provided in Section 3, and such default shall continue for 10 days;

(B) default shall be made in payment of any amount required to be paid by the Lessees hereunder, other than the semi-annual rentals provided in Section 3, and such default shall continue for 10 days after written notice from the Lessor to the Lessees specifying such failure of payment and demanding that the same be paid;

(C) the Lessees shall make or permit any unauthorized assignment or transfer of this Lease or of possession of the Units, or any thereof;

(D) the Lessees shall fail to maintain insurance in accordance with Section 7;

(E) default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessees contained in this Lease, in the Participation Agreement or in any other agreement entered into concurrently herewith relating to the financing or leasing of the Units, and such default shall continue for 20 days after written notice from the Lessor to the Lessees specifying such default and demanding that the same be remedied;

(F) any proceedings shall be commenced by or against either of the Lessees for any relief under any bankruptcy or insolvency law, or any law relating to the relief of debtors, readjustment of indebtedness, reorganization, arrangement, composition or extension, and, if such proceedings have been commenced against such Lessee, such proceedings shall not have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue) all of the obligations of such Lessee under this Lease shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for such Lessee or for its respective property in connection with any such proceedings or by the debtor in possession in such manner that such obligations shall have the same status as expenses of administration incurred by such trustee or trustees, receiver or receivers or debtor in possession, within 60 days after such appointment, if any, or 60 days after such proceedings shall have been commenced, whichever is earlier, or such Lessee shall make a general assignment for the benefit of creditors or shall admit in writing its inability to pay its debts generally as they become due;

(G) any representations or warranties made by either of the Lessees herein or in any other agreement, statement or certificate furnished to the Lessor, the Beneficiary or the Assignee in connection with this Lease or the transaction contemplated hereby, proves untrue in any material respect as of the date of issuance thereof and such misrepresentation or breach of warranty materially and adversely affects the ability of the Lessees to perform their obligations under this Lease or under the Participation Agreement; or

(H) any representations or warranties made by either of the Lessees herein or in any other agreement, statement or certificate furnished to the Lessor, the Beneficiary or the Assignee in connection with this Lease or the transaction contemplated hereby, proves untrue in any material respect as of the date of issuance thereof;

then, in any such case, the Lessor, at its option, may:

(1) proceed by appropriate court action or actions, either at law or in equity, to enforce performance by the Lessees of the applicable covenants of this Lease or to recover damages for the breach thereof, including net after-tax losses of federal and state income tax

benefits to which the Lessor (or the Beneficiary) would otherwise be entitled under this Lease; or

(2) in the case of an Event of Default described in clauses (A) through (G) of this Section, by notice in writing to the Lessees terminate this Lease, whereupon all rights of the Lessees to the possession and use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessees shall remain liable as hereinafter provided; and thereupon the Lessor may, by its agents, enter upon the premises of either of the Lessees or any other premises where any of the Units may be located and take possession of all or any of such Units and thenceforth hold, possess and enjoy the same free from any right of the Lessees, or their successors or assigns, to use the Units for any purposes whatsoever; but the Lessor shall, nevertheless, have a right to recover from the Lessees any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessees (a) as damages for loss of the bargain and not as a penalty, whichever of the following amounts the Lessor, in its sole discretion, shall specify: (x) a sum, with respect to each Unit, which represents the excess of the present worth, at the time of such termination, of all rentals therefor which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease over the then present worth of the then fair rental value of such Unit for such period computed by discounting from the end of such term to the date of such termination rentals which the Lessor reasonably estimates to be obtainable for the use of the Unit during such period, such present worth to be computed in each case on a basis of a 7% per annum discount, compounded semi-annually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, or (y) an amount equal to the excess, if any, of the Casualty Value of such Unit as of the rental payment date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the sales value thereof at such time; provided, however, that in the event the Lessor shall have sold any Unit, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessees pursuant to the preceding clauses (x) and (y) of this clause (a) with respect thereto, may, if it shall so elect, demand that the Lessees pay the Lessor and the Lessees shall

pay to the Lessor on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value of such Unit, as of the rental payment date on or next preceding the date of termination over the net proceeds of such sale, and (b) any damages and expenses, including reasonable attorneys' fees, in addition thereto which the Lessor shall have sustained by reason of the breach of any covenant, representation or warranty of this Lease other than for the payment of rental.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessees hereby waive any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is permitted by law. The Lessees hereby waive any and all existing or future claims to any offset against the rental payments due hereunder, and agree to make rental payments regardless of any offset or claim which may be asserted by the Lessees or on their behalf.

The failure of the Lessor to exercise any of the rights granted it hereunder upon the occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

The Lessor and the Lessees shall each give prompt notice to the other and to the Assignee and to the Beneficiary of any Event of Default of which the Lessor or the Lessees shall have knowledge.

The foregoing provisions of this Section 11 are subject in all respects to all mandatory requirements of law at the time in force and applicable thereto.

SECTION 12. Return of Units upon Default. If this Lease shall terminate pursuant to Section 11, the Lessees shall forthwith deliver possession of the Units to the Lessor. Each Unit so delivered shall be in the same operating order, repair and condition as when originally delivered to the Lessees, ordinary wear and tear excepted, and shall meet all applicable standards of the Department of Transportation and comply with the applicable Interchange Rules of the Mechanical Division of the Association of American Railroads or any successor to such Division or Association. For the purpose of delivering possession of any Unit or Units as above required, the Lessees shall at their own cost, expense and risk:

- (a) place the Unit or Units in the standard of condition as specified above;
- (b) forthwith place such Units upon such storage tracks as the Lessor reasonably may designate;
- (c) permit the Lessor to store such Units on such tracks at the risk of the Lessees without charge for insurance or storage until such Units have been sold, leased or otherwise disposed of by the Lessor; and
- (d) cause the same to be delivered to any carrier for shipment as directed by the Lessor.

The assembling, delivery, storage and transporting of the Units as in this Section 12 provided shall be at the expense and risk of the Lessees for a period of nine months following such termination and are of the essence of this Lease, and, upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessees requiring specific performance of the same. During any storage period, the Lessees will, at their own cost and expense, maintain and keep the Units in good order and repair and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser or lessee of any such Unit, to inspect the same. All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessees, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored as hereinabove provided within thirty days after such termination, the Lessees shall, in addition to any amounts payable by the Lessees in accordance with Section 11, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which .039726% of the Purchase Price of such Unit for each such day exceeds the actual earnings received by the Lessor on such Unit for each such day.

Without in any way limiting the obligations of the Lessees under the foregoing provisions of this Section 12, the Lessees hereby irrevocably appoint the Lessor as the agent and attorney-in-fact of the Lessees, with full power and authority, at any time while the Lessees are obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessees from whomsoever shall be in possession of such Unit at the time, subject to all mandatory requirements of due process of law.

SECTION 13. Assignment; Possession and Use; Liens.
This Lease shall be assignable in whole or in part by the Lessor without the consent of the Lessees, but the Lessees shall be under no obligation to any assignee of the Lessor

except upon written notice of such assignment from the Lessor. Such rights and obligations of the Lessor hereunder as shall be so assigned shall inure to the benefit of the Lessor's assigns. Whenever the term "Lessor" is used in this Lease, it shall apply and refer to the Lessor and each assignee of the Lessor.

So long as the Lessees shall not be in default under this Lease, the Lessees shall be entitled to the possession and use of the Units in accordance with the terms of this Lease, but, without the prior written consent of the Lessor, which consent shall not be unreasonably withheld, the Lessees shall not (except as hereinafter in this paragraph provided) assign, sublease or transfer their leasehold interest under this Lease in the Units or any of them; provided, however, that this sentence shall not be deemed to prohibit any lien attaching to the leasehold interest of either of the Lessees under this Lease by reason of the existence of an after-acquired property clause in any mortgage to which either of the Lessees is a party covering substantially all of such Lessee's utility property; and provided further, that in no event shall any Unit be delivered to, or accepted or used by, the Lessees under this Lease prior to the settlement for such Unit on the Closing Date therefor as provided in Article 4 of the Conditional Sale Agreement. Without the prior written consent of the Lessor, the Lessees shall be permitted to enter into one or more subleases with respect to the Units so long as, at the time of any such sublease and after giving effect thereto: (i) no Event of Default shall have occurred and be continuing, (ii) such sublease shall by its terms be made expressly subject and subordinate to this Lease and to the terms and provisions hereof, (iii) such sublease shall contain terms and provisions substantially similar to those contained herein with respect to the maintenance and operation of the Equipment and with respect to the rights and remedies of a lessor upon the occurrence of an Event of Default, (iv) such sublease shall cover not less than all the Units then leased hereunder, (v) no such sublease shall be for a term extending beyond the expiration of the term of this Lease and (vi) such sublease shall not give the sublessee the right to further sublease the Units. In no event shall any assignment, transfer or sublease relieve the Lessees of any of their obligations, liabilities or duties hereunder which shall be and remain those of a principal and not a guarantor. The Lessees, at their own expense, will promptly pay or discharge any and all sums claimed by any person which, if unpaid, might become a lien, charge, security interest or other encumbrance (other than an encumbrance created by the Lessor or the Assignee or resulting from claims against the Lessor or Assignee not related to the ownership of the Units) on or with respect to any Unit, including any accession thereto, or the interest of the Lessor, the Assignee or the Lessees therein, and will promptly discharge any such

lien, charge, security interest or other encumbrance which arises; provided, however, that the Lessees shall not be required to pay or discharge any such claim so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings in any reasonable manner and the nonpayment thereof does not, in the opinion of the Lessor, adversely affect the title of the Lessor in or to the Units or otherwise adversely affect its rights or the rights of the Assignee under this Lease or the Conditional Sale Agreement; and provided further, that this covenant will not be breached by reason of the existence of liens for taxes, assessments or governmental charges or levies, in each case so long as not due and delinquent, or undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other like liens arising in the ordinary course of business and, in each case, not delinquent. The Lessees shall not, without the prior written consent of the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of this paragraph.

The Lessees agree that during the term of this Lease they will not assign any Unit to service involving the regular operation and maintenance thereof outside the United States of America.

SECTION 14. Renewal Option; Right of First Refusal. Provided that this Lease has not been earlier terminated and the Lessees are not in default hereunder, the Lessees may by written notice delivered to the Lessor not less than 180 days prior to the end of the original term or the first extended term of this Lease, elect to extend such original or extended term of this Lease, as the case may be (each such extended term being hereinafter called a Renewal Term), in respect of all but not less than all the Units then covered by this Lease for an additional two-year period commencing on the scheduled expiration of such term; provided, however, that no such extended term shall extend beyond July 1, 2007.

Each such Renewal Term shall be on the same terms and conditions as are contained in this Lease, except that (x) the amount of rentals shall be at Fair Market Rental (as hereinafter defined) payable, in arrears, in semi-annual payments on January 1 and July 1 in each year of the Extended Term and (y) the Casualty Value of each Unit on the first day of each Extended Term shall be equal to the then Fair Market Value of such Unit (as hereinafter defined) and shall be reduced for each rental payment date during such Extended Term on a straight line basis over the estimated remaining useful life of such Unit, all as determined by the procedures hereinafter established.

Fair Market Rental, Fair Market Value and estimated remaining useful life shall be agreed upon by the Lessor and the Lessees or determined as provided in the next paragraph. Fair Market Rental and Fair Market Value shall be equal in amount to the rental or sale value which would be obtained in an arm's-length transaction between an informed and willing lessee or vendee (other than a lessee currently in possession or a used equipment dealer) and an informed and willing lessor or vendor under no compulsion to lease or sell and, in such determination, costs of removal from the location of current use shall not be a deduction from such rental or sale value but there shall be excluded any rental value or sale value attributable to additions, modifications and improvements which the Lessees are entitled to remove pursuant to Section 10 hereof; provided, however, that Fair Market Rental shall be determined as provided in this section on the basis of the term and other terms and conditions of the lease being considered. Fair Market Rental, Fair Market Value and estimated remaining useful life of the Units shall be determined upon the assumption that the Units shall have been maintained in accordance with the provisions of Section 10 hereof.

If after 45 days from the giving of notice by the Lessees of the Lessees' election to extend the term of this Lease, the Lessor and the Lessees are unable to agree upon a determination of Fair Market Rental, Fair Market Value or estimated remaining useful life, as the case may be, either party to such determination may give written notice to the other requesting determination of Fair Market Rental, Fair Market Value or estimated remaining useful life by the following appraisal procedure, and the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 20 days after such notice is given, each party shall appoint an independent appraiser within 25 days after such notice is given and the two appraisers so appointed shall within 35 days after such notice is given, appoint a third independent appraiser. If no such third appraiser is appointed within 35 days after such notice is given, either party may apply to make such appointment to the American Arbitration Association, and both parties shall be bound by any appointment so made. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine Fair Market Rental, Fair Market Value or estimated remaining useful life, as the case may be, of the Units subject to the proposed Renewal Term or sale within 90 days after appointment. If the parties shall have appointed a single appraiser or if either party shall have failed to appoint an appraiser, the determination of a single appraiser appointed shall be final. If three appraisers shall be appointed, the determination of the appraiser which differs most from the other two appraisers shall be excluded, the remaining two determinations shall be averaged and such average shall be final

and binding upon the parties hereto. The appraisal proceedings shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association as in effect on the date hereof, except as modified hereby. The provision for this appraisal procedure shall be the exclusive means of determining Fair Market Rental, Fair Market Value and estimated remaining useful life, unless these are agreed upon by the Lessor and the Lessees as provided for herein, and shall be in lieu of any judicial or other procedure for the determination thereof, and each party hereto hereby consents and agrees not to assert any judicial or other procedures. The expenses of the appraisal procedure shall be borne by the Lessees.

Upon the termination of this Lease (other than its termination as provided in Sections 8 and 11), or upon expiration of any Renewal Term, the right of the Lessor to sell any or all of the Units shall be subject to the rights of the Lessees (i) to receive written notice from the Lessor of any offer to purchase any such Units from another party (the "Offeree"), (ii) to prohibit the Lessor from accepting such an offer prior to the expiration of a period of twenty Business Days following the Lessor's giving of such notice and (iii) to prohibit the Lessor from selling such Units to the Offeree if the Lessees make an irrevocable offer, within ten Business Days after receipt of such notice, to purchase all of the Units proposed to be purchased by the Offeree at the same price or a higher price, and under the same terms specified in the offer of the Offeree; provided, however, that no offer made by the Lessees to purchase such Units may be at a price less than their Fair Market Value, at the time the offer is made and provided further, that if the Offeree is an affiliate of the Lessor (or the Beneficiary), the Lessees offer to purchase may be at the Fair Market Value of such Units regardless of any such offer made by an affiliate of the Lessor (or the Beneficiary). For the purposes of the preceding sentence, "affiliate" of the Lessor (or the Beneficiary) shall mean a person that meets the tests of control set forth in the second sentence of the second paragraph of Section 8 hereof.

SECTION 15. Return of Units upon Expiration of Term. As soon as practicable on or after the expiration of the original term of this Lease or any Renewal Term, provided that the Lessees have not agreed to purchase the Units as above provided, the Lessees will, at their cost and expense, at the request of the Lessor, deliver such Units to the Lessor upon such storage tracks as the Lessor may reasonably designate, or, in the absence of such designation, as the Lessees may select, and store such Units on such tracks for a period not exceeding 120 days and cause the same to be delivered, at any time within such 120-day period as may be designated by the Lessor upon 20-days prior written notice to the Lessees, to not more than three interchange points

directed by the Lessor. The movement and storage of such Units shall be at the expense and risk of the Lessees and without charge to the Lessor for insurance. During any such storage period, the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of such Units, may inspect the same; provided, however, that the Lessees shall not be liable, except in the case of negligence of the Lessees or of any of the employees or agents of either of the Lessees, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the right of inspection granted under this sentence. Each Unit returned to the Lessor pursuant to this Section 15 shall: (i) be in the same operating order, repair and condition as when originally delivered to the Lessees, reasonable wear and tear excepted and (ii) meet all applicable standards of the Department of Transportation and comply with any applicable Interchange Rules of the Mechanical Division of the Association of American Railroads or any successor to such Division or Association. The assembling, delivery, storage and transporting of the Units as in this Section 15 provided are of the essence of this Lease, and, upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessees requiring specific performance of the same. All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessees, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored as hereinabove provided, within ten days after such termination, the Lessees shall in addition pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which .039726% of the Purchase Price of such Unit for each such day exceeds the actual earnings received by the Lessor on such Unit for each such day. As to any Unit, upon the earlier of the delivery of such Unit to the delivery point designated by the Lessor, or upon the expiration of the 120 day storage period herein provided, the Lessees shall have no further liability with respect to such Unit.

SECTION 16. Opinion of Counsel. On each Closing Date, each Lessee will deliver to the Lessor fifteen counterparts of the written opinions of its counsel, addressed to the Assignee, the Lessor and the Beneficiary, as contemplated by subparagraphs (f) and (g) of the first paragraph of Section 5 of the Assignment.

SECTION 17. Recording. The Lessees, at their own expense, will cause this Lease, the Lease Assignment, the Conditional Sale Agreement and the Assignment, and any amendments or supplements hereto or thereto, and any further assignments hereof and thereof, to be filed and recorded with the Interstate Commerce Commission pursuant to 49

U.S.C. §11303 and the Lessees will undertake the filing, registering, depositing and recording required of the Lessor under the Conditional Sale Agreement and will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, deposit and record (and will refile, re-register, re-deposit or re-record whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Assignee for the purpose of proper protection, to their satisfaction, of the Lessor's and the Assignee's respective interests in the Units, or for the purpose of carrying out the intention of and their respective rights under this Lease, the Lease Assignment, the Consent, the Conditional Sale Agreement and the Assignment; and the Lessees will promptly furnish to the Lessor and the Assignee evidences of all such filing, registering, depositing and recording and an opinion or opinions of counsel for either of the Lessees with respect thereto satisfactory to the Lessor and the Assignee and their respective counsel.

SECTION 18. Interest on Overdue Rentals. Anything herein to the contrary notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessees promptly to pay, to the extent legally enforceable, an amount equal to the greater of, computed in each case on the basis of a 360-day year of twelve 30-day months, (i) 15-1/2% per annum, or (ii) 3% per annum in excess of the per annum rate charged by LaSalle National Bank from time to time to its largest and most credit worthy commercial borrowers on 90-day commercial loans of the overdue rentals and other obligations for the period of time during which they are overdue.

SECTION 19. Notices. Any notice hereunder to any of the persons designated below shall be deemed to have been properly served if delivered personally or if mailed, when mailed registered mail postage prepaid, at the following specified addresses:

(a) To the Lessor, 130 South LaSalle Street, Chicago, Illinois 60690, Attention of Corporate Trust Department.

(b) To Sierra Pacific Power Company, P.O. Box 10100, 100 East Moana Lane, Reno, Nevada 89520, Attention of John Saibini, Vice President, Resources Development.

(c) To Idaho Power Company, 1220 West Idaho Street, P.O. Box 70, Boise, Idaho 83707, Attention of Robert F. Klumpp, Senior Vice President-Finance.

(d) To the Assignee, 135 South LaSalle Street, Chicago, Illinois 60690, Attention of Corporate Trust Department.

(e) To the Beneficiary, at its address set forth in Paragraph 16 of the Participation Agreement;

or to such other address as may have been furnished in writing by such person to the other parties to this Agreement.

SECTION 20. Severability; Effect and Modification of Lease. Any provision of this Lease prohibited or unenforceable by any applicable law of any jurisdiction shall as to such jurisdiction be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. Where, however, the conflicting provisions of any such applicable law may be waived, they are hereby waived by the parties hereto to the full extent permitted by law, to the end that this Lease shall be enforced as written.

This Lease exclusively and completely states the rights of the Lessor and the Lessees with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized officers of the Lessor and of the Lessees.

All Section headings are inserted for convenience only and shall not affect any construction or interpretation of this Lease.

SECTION 21. Joint and Several Liability. All rights, obligations, duties and liabilities of each of the Lessees under this Lease shall be joint and several. Without limiting the generality of the foregoing, the Lessees agree that in the case of an Event of Default under this Lease, the Lessor may pursue any remedy provided for, authorized or permitted in this Lease against either of the Lessees, and may satisfy any claim, demand or judgment against the Lessees arising out of this Lease or the transactions herein contemplated from the property of either of the Lessees, without proceeding against the other Lessee or joining that Lessee in any action brought to enforce any such claim. The release of either of the Lessees from any obligation, duty or liability arising under this Lease shall not act as a release of the other Lessee from any of its obligations, duties or liabilities hereunder. In any action brought by the Lessor or its successors or assigns to enforce its rights against the Lessees hereunder, no Lessee shall be entitled to any reduction or set-off due or alleged to be due by reason of any past, future or present claims by such Lessee against the other Lessee, but any decision by the Lessor to proceed against one Lessee without proceeding against the other, or any release by the Lessor of any one of the Lessees without

so releasing the other Lessee, shall not prejudice the rights of the Lessees to proceed against each other for contribution or otherwise. Each Lessee is hereby authorized to give all notices and directions to the Lessor pursuant to this Lease on behalf of the Lessees.

SECTION 22. Immunities; No Recourse. Notwithstanding anything herein to the contrary, each and all of the representations, warranties, undertakings and agreements herein made on the part of the Lessor are made and intended not as personal representations, warranties, undertakings and agreements of Exchange National Bank of Chicago or for the purpose or with the intention of binding said bank personally, but are made and intended for the purpose of binding only the Trust Estate (as such term is used in the Trust Agreement), and this Agreement is executed and delivered by said bank solely in the exercise of the powers expressly conferred upon said bank as trustee under the Trust Agreement; and no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said bank, except for its wilful misconduct or gross negligence, on account of any representation, warranty, undertaking or agreement hereunder of said bank as Lessor or of the Beneficiary on account of the Lessor, either express or implied, all such personal liability, if any, being expressly waived and released by the Lessees and by all persons claiming by, through or under the Lessees; provided, however, that the Lessees or any person claiming by, through or under the Lessees, making claim hereunder, may look to said Trust Estate for satisfaction of the same.

SECTION 23. Lessor's Right to Perform for the Lessees. It is expressly understood and agreed that upon the occurrence of any of the defaults or conditions described in clauses (A), (B), (D) or (E) of the first paragraph of Section 11 of this Lease, and prior to the time that such default or condition shall constitute an Event of Default hereunder, the Lessor may make such payment or perform such other act as will cure such default or condition, and the amount of all payments made by the Lessor on behalf of the Lessees, plus the amount of all reasonable expenses incurred in connection therewith, together with interest thereon, to the extent legally enforceable, at the rate equal to the greater of, computed in each case on the basis of a 360-day year of twelve 30-day months, (i) 15-1/2% per annum, or (ii) 3% per annum in excess of the per annum rate charged by LaSalle National Bank from time to time to its largest and most credit worthy commercial borrowers on 90-day commercial loans, from the date of expenditure to the date of reimbursement, shall constitute additional rental payable hereunder from the Lessees to the Lessor on demand.

SECTION 24. Law Governing. The terms of this Lease and all rights and obligations hereunder shall be governed

by the laws of the State of Illinois; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. §11303 and such additional rights arising out of the filing, recording, registering or depositing, if any, of this Lease and the Lease Assignment as shall be conferred by the laws of the several jurisdictions in which this Lease or the Lease Assignment shall be filed, recorded, registered or deposited.

SECTION 25. Execution. This Lease may be executed in any number of counterparts, but the counterpart delivered to the Assignee shall be deemed to be the original counterpart. Although this Lease is dated as of June 1, 1980 for convenience, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

IN WITNESS WHEREOF, the parties hereto, each pursuant to due corporate authority, have caused this Lease to be signed in their respective corporate names by duly authorized officers and their respective corporate seals to be hereunto affixed and duly attested, all as of the date first above written.

EXCHANGE NATIONAL BANK OF
OF CHICAGO, not individually
but solely in its capacity as
Trustee under a Trust Agreement
dated as of June 1, 1980

By _____
Vice President

(Corporate Seal)

Attest:

SIERRA PACIFIC POWER COMPANY

By _____
Vice President

(Corporate Seal)

Attest:

Secretary

IDAHO POWER COMPANY

By _____
Vice President

(Corporate Seal)

Attest:

Secretary

STATE OF ILLINOIS)
)
COUNTY OF COOK) SS

On this __ day of _____, 1980, before me personally appeared _____, to me personally known, who, being by me duly sworn, said that he is a Vice President of Exchange National Bank of Chicago, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

(Notarial Seal)

My commission expires

STATE OF NEVADA)
)
COUNTY OF WASHOE) SS

On this __ day of _____, 1980, before me personally appeared _____, to me personally known, who, being by me duly sworn, said that he is a Vice President of Sierra Pacific Power Company, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

(Notarial Seal)

My commission expires

STATE OF IDAHO)
) SS
COUNTY OF ADA)

On this __ day of _____, 1980, before me personally appeared _____, to me personally known, who, being by me duly sworn, said that he is a Vice President of Idaho Power Company, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

(Notarial Seal)

My commission expires

Annex A
Lease of Railroad Equipment

<u>Type</u>	<u>Quantity</u>	<u>Car Numbers (Both Inclusive)</u>	<u>Place of Delivery</u>
100-ton (3,800 cu. ft.) coal hopper cars	70	VALX 80,001 - 80,070	Covington, Kentucky

Delivery Schedule

Number of Units

70

Closing Date

November 15, 1980

Annex D to
Conditional Sale Agreement

ASSIGNMENT OF LEASE AND AGREEMENT

Dated as of June 1, 1980

between

EXCHANGE NATIONAL BANK OF CHICAGO,

as Owner-Trustee

and

LASALLE NATIONAL BANK,

as Agent

ASSIGNMENT OF LEASE AND AGREEMENT dated as of June 1, 1980 (hereinafter called the Assignment) between EXCHANGE NATIONAL BANK OF CHICAGO, not individually but solely in its capacity as Trustee (hereinafter together with its successors and assigns, called the Vendee) under a Trust Agreement dated as of the date hereof with FIRST SECURITY BANK OF IDAHO, N.A. (hereinafter called the Beneficiary), and LASALLE NATIONAL BANK, as Agent (hereinafter together with its successors and assigns, called the Assignee) under the Participation Agreement dated as of the date hereof (hereinafter called the Participation Agreement).

WHEREAS, the Vendee and ORTNER FREIGHT CAR COMPANY (hereinafter called the Builder) have entered into a Conditional Sale Agreement dated as of the date hereof (hereinafter called the Conditional Sale Agreement) covering the construction, sale and delivery, on the conditions therein set forth, by the Builder and the purchase by the Vendee of the railroad equipment described in Annex A to the Conditional Sale Agreement (hereinafter called the Equipment);

WHEREAS, the Builder and the Assignee have entered into an Agreement and Assignment dated as of the date hereof (hereinafter called the Conditional Sale Assignment) assigning to the Assignee the right, security title and interest of the Builder under the Conditional Sale Agreement as security for the payment of the Conditional Sale Indebtedness (as defined in the Conditional Sale Agreement);

WHEREAS, the Vendee and SIERRA PACIFIC POWER COMPANY and IDAHO POWER COMPANY (hereinafter called collectively the Lessees and individually a Lessee) have entered into a Lease of Railroad Equipment dated as of the date hereof (hereinafter called the Lease) providing for the lease to the Lessees of the Equipment; and

WHEREAS, in order to provide further security for the payment of the Conditional Sale Indebtedness and as an inducement to the Investors (as defined in the Participation Agreement) to invest in the Conditional Sale Indebtedness, the Vendee has agreed to assign for security purposes certain of its rights in, to and under the Lease to the Assignee;

NOW, THEREFORE, in consideration of the sum of One Dollar and other good and valuable consideration paid by the Assignee to the Vendee, the receipt of which is hereby acknowledged, as well as of the mutual covenants herein contained, the parties hereto do hereby agree as follows:

SECTION 1. The Vendee hereby assigns, transfers and sets over unto the Assignee, its successors and assigns, as collateral security for the payment and performance of the obligations of the Vendee under the Conditional Sale Agree-

ment, all the Vendee's right, title and interest (other than the rights of the Vendee pursuant to Section 23 of the Lease regarding the cure of certain Events of Default under the Lease) as lessor under the Lease, including, but not limited to, the immediate right to receive and collect all rentals and other sums payable to or receivable by the Vendee under or pursuant to the provisions of the Lease, whether as rent, casualty payment, termination payment, indemnity, liquidated damages or otherwise (such moneys being hereinafter called the Payments), it being expressly understood and agreed by the Assignee that such assignment of the Payments shall not thereby increase the amount of funds applicable to the payment or prepayment of the Conditional Sale Indebtedness or interest or premium, if any, thereon as provided in the last paragraph of Article 4 of the Conditional Sale Agreement; and the right to make all waivers and agreements, to give all notices, consents and releases, to take all action upon the happening of an Event of Default specified in the Lease and to do any and all other things whatsoever which the Vendee as lessor is or may become entitled to do under the Lease; provided, however, that the term Payments shall not include and no assignment is made hereby of the right of the Vendee or the Beneficiary to receive from the Lessees the reimbursements for taxes and other items pursuant to Section 6 of the Lease and the indemnification payments pursuant to the penultimate paragraph of Section 10 of the Lease or the right of the Beneficiary to receive payments under the Indemnity Agreement entered into as of the date hereof between the Beneficiary and the Lessees. In furtherance of the foregoing assignment and transfer, the Vendee hereby authorizes and empowers the Assignee, in the Assignee's own name or in the name of the Assignee's nominee, or in the name of or as attorney hereby irrevocably constituted for the Vendee as lessor, to ask, demand, sue for, collect, receive and enforce any and all sums to which the Assignee is or may become entitled under this Assignment and compliance by the Lessees with the terms and agreements on their part to be performed under the Lease.

The Assignee agrees to accept any Payments made by the Lessees for the account of the Vendee as lessor pursuant to the Lease and to acknowledge receipt of such payments, subject to the Vendee's right to receive certain payments directly as above provided. To the extent received, the Assignee will apply such Payments to satisfy the obligations of the Vendee under the Conditional Sale Agreement, subject to the limitations contained in the last paragraph of Article 4 of the Conditional Sale Agreement, and any balance shall be paid to the Vendee on the same date such Payment is applied to satisfy such obligations of the Vendee by bank wire to the Vendee of immediately available federal funds at such address as may be specified to the Assignee in writing, and such balance shall be retained by the Vendee unless an Event of Default, as defined in the Lease, exists or with

notice, demand or a lapse of time would exist. If the Assignee shall not receive any rental payment under the first paragraph of Section 3 of the Lease when due, the Assignee shall notify the Vendee at the address set forth in the Lease.

SECTION 2. This Assignment is executed only as security and, therefore, the execution and delivery of this Assignment shall not subject the Assignee to, or transfer, or pass, or in any way affect or modify, the liability of the Vendee under the Lease, it being understood and agreed that, notwithstanding this Assignment, or any subsequent assignment, all obligations, if any, of the Vendee to the Lessees shall be and remain enforceable by the Lessees only against the Vendee or persons other than the Assignee.

SECTION 3: To protect the security afforded by this Assignment, the Vendee further agrees as follows:

(a) the Vendee will faithfully abide by, perform and discharge each and every obligation, covenant and agreement which the Lease provides are to be performed by the Vendee (other than any act or omission in respect of which the Lessees have assumed responsibility under the Lease); and, without the express written consent of the Assignee, the Vendee will not anticipate the rents under the Lease or waive, excuse, condone, forgive, or in any manner release or discharge the Lessees thereunder of or from the obligations, covenants, conditions and agreements to be performed by the Lessees, including, but not limited to, the obligation to pay the rentals in the manner and at the times and place specified therein, or enter into any agreement amending, modifying or terminating the Lease; and the Vendee agrees that any amendment, modification or termination thereof without such consent shall be void;

(b) at the Vendee's sole cost and expense, the Vendee will appear in and defend every action or proceeding arising under, growing out of or in any manner connected with the obligations, duties or liabilities of the Vendee under the Lease if such action or proceeding shall arise out of the willful misconduct or gross negligence of the Vendee; and

(c) should the Vendee fail to make any payment or to do any act which this Assignment requires the Vendee to make or do, then the Assignee may (but shall not be obligated), after first making written demand upon the Vendee and affording the Vendee a reasonable period of time within which to make such payment or do such act, and without releasing the Vendee from any obligation hereunder or under the Lease, make such payment or do such act in such manner and to such extent as the Assignee may deem necessary to protect the security

hereof, including, but not limited to, the right to appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of the Assignee and also the right to perform and discharge each and every obligation, covenant and agreement of the Vendee contained in the Lease. In exercising any such powers, the Assignee may pay necessary costs and expenses, employ counsel and incur and pay reasonable attorneys' fees, and the Vendee will reimburse the Assignee for such costs, expenses and fees.

SECTION 4. Upon the full discharge and satisfaction of all the Vendee's obligations under the Conditional Sale Agreement, this Assignment and all rights herein assigned to the Assignee shall terminate, and all estate, right, title and interest of the Assignee in and to the Lease shall revert to the Vendee. The Assignee hereby agrees that it will, at the request of the Vendee or its successors or assigns, make, execute and deliver all such instruments of assignment, transfer, and assurance and do such further acts and things as may be necessary and appropriate to give effect to the terms of this Assignment and the reversion of all estate, right, title and interest of the Assignee in and to the Lease.

SECTION 5. The Vendee represents and warrants that (a) the Conditional Sale Agreement, the Conditional Sale Assignment, the Lease, the Participation Agreement and this Assignment have each been duly authorized, executed and delivered by the Vendee and, assuming the due authorization, execution and delivery by each of the other party or parties hereto and thereto, each is and will remain the valid and binding obligation of the Vendee enforceable in accordance with its respective terms, subject only to limitations as to enforceability imposed by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally; (b) the Vendee has not executed any other assignment of the Conditional Sale Agreement or the Lease and its right to receive all payments under the Lease is and will continue to be free and clear of any and all liens, charges, security interests or other encumbrances (except this Assignment) created, incurred, assumed or suffered as a result of any act or omission on the part of the Vendee (other than any act or omission in respect of which the Lessees have assumed responsibility under the Lease), and the Vendee has not received any advance rental payment under the Lease; and (c) to the best knowledge of the Vendee, it has performed all obligations on its part to be performed under the Lease on or prior to the date hereof and there has not occurred on or prior to the date hereof any Event of Default as defined in the Lease or any event which, with notice, demand or lapse of time would constitute an Event of Default.

SECTION 6. The Assignee may, but only in accordance with the provisions of the Participation Agreement and the Conditional Sale Agreement, assign all or any of its rights under the Lease, including the right to receive any Payments due or to become due thereunder. In the event of any such assignment, any such subsequent or successive assignee or assignees shall, to the extent of such assignment, and upon giving by the Assignee of written notice of such assignment to the Vendee and the Lessees, enjoy all the rights and privileges and be subject to all the obligations of the Assignee hereunder.

SECTION 7. The Vendee hereby agrees that it will from time to time and at all times, at the request of the Assignee or its successors or assigns, make, execute and deliver all such further instruments of assignment, transfer and assurance and do such further acts and things as may be necessary and appropriate in the premises to give effect to the provisions hereinabove set forth and more perfectly to confirm the rights, titles and interests hereby assigned and transferred to the Assignee or intended so to be, including the execution and acknowledgment of any instrument necessary or appropriate to file, record, register or deposit this Assignment or notice hereof.

SECTION 8. The Vendee shall cause copies of all notices received in connection with the Lease to be promptly delivered to the Assignee at its address set forth in Article 21 of the Conditional Sale Agreement, or at such other address as the Assignee shall designate in writing. The Assignee shall give immediate notice by telegram, promptly confirmed in writing, to the Vendee of any default by the Lessees described in clauses (A) and (B) of Section 11 of the Lease and of any other default by the Lessees described in such Section 11 of which the Assignee, in its Corporate Trust Department, has actual knowledge.

SECTION 9. The terms of this Assignment and all rights and obligations hereunder shall be governed by the laws of the State of Illinois; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. §11303 and such additional rights arising out of the filing, recording, registering or depositing, if any, of the Lease or this Assignment as shall be conferred by the laws of the several jurisdictions in which the Lease or this Assignment shall be filed, recorded, registered or deposited.

SECTION 10. The Assignee hereby agrees with the Vendee that the Assignee will not, so long as no event of default under the Conditional Sale Agreement or Event of Default under the Lease, or any event which with notice, demand or lapse of time could constitute an event of default under the Conditional Sale Agreement or an Event of Default under the Lease, has occurred and is continuing, exercise or enforce,

or seek to exercise or enforce, or avail itself of, any of the rights, powers, privileges, authorizations or benefits assigned and transferred by the Vendee to the Assignee by this Assignment, except the right to receive and apply the Payments as provided in Section 1 hereof, and that, subject to the terms of the Lease and the Conditional Sale Agreement, the Vendee may, so long as no event of default under the Conditional Sale Agreement or Event of Default under the Lease has occurred and is continuing, exercise or enforce, or seek to exercise or enforce or avail itself of, such rights, powers, privileges, authorizations or benefits.

SECTION 11. Notwithstanding any other provision of this Assignment: (a) the terms of this Assignment shall not impose any obligations on the Vendee in addition to the obligations of the Vendee under the Lease or under the Conditional Sale Agreement or in any way limit the effect of the last paragraph of Article 4 of the Conditional Sale Agreement; (b) so long as there is no event of default under the Conditional Sale Agreement or an event which with notice, demand or lapse of time would constitute an event of default thereunder, the terms of this Assignment shall not limit or in any way affect the Vendee's right to receive and collect any Payments under the Lease in excess of the obligations of the Vendee under the Conditional Sale Agreement, or empower the Vendee in any way to waive or release the Lessees' obligation to pay such excess amounts, and the Vendee shall continue to be empowered to ask, demand, sue for, collect and receive any and all of such excess amounts and (c) notwithstanding anything herein to the contrary, each and all of the representations, warranties, undertakings and agreements herein made on the part of the Vendee are made and intended not as personal representations, warranties, undertakings and agreements of Exchange National Bank of Chicago or for the purpose or with the intention of binding said bank personally, but are made and intended for the purpose of binding only the Trust Estate (as such term is used in the Trust Agreement), and this Assignment is executed and delivered by said bank solely in the exercise of the powers expressly conferred upon said bank as trustee under the Trust Agreement; and no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said bank, except for its wilful misconduct or gross negligence, on account of any representation, warranty, undertaking or agreement hereunder of said bank as Vendee or of the Beneficiary on account of the Vendee, either express or implied, all such personal liability, if any, being expressly waived and released by the Assignee and by all persons claiming by, through or under the Assignee; provided, however, that the Assignee or any person claiming by, through or under the Assignee, making claim hereunder, may look to said Trust Estate for satisfaction of the same.

SECTION 12. This Assignment may be executed in any number of counterparts, but the counterpart delivered to the Assignee shall be deemed to be the original counterpart. Although this Assignment is dated as of June 1, 1980 for convenience, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

IN WITNESS WHEREOF, the parties hereto, each pursuant to due corporate authority, have caused this Assignment to be signed in their respective corporate names by duly authorized officers and their respective corporate seals to be hereunto affixed and duly attested, all as of the date first above written.

EXCHANGE NATIONAL BANK OF
CHICAGO, not individually
but solely in its capacity as
Trustee under a Trust Agreement
dated as of June 1, 1980

By _____
Vice President

(CORPORATE SEAL)

Attest:

Assistant Secretary

LASALLE NATIONAL BANK, as Agent

By _____
Vice President

(CORPORATE SEAL)

Attest:

Assistant Secretary

STATE OF ILLINOIS)
) SS.
COUNTY OF COOK)

On this __ day of _____, 1980, before me personally appeared _____, to me personally known, who, being by me duly sworn, said that he is a Vice President of Exchange National Bank of Chicago, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

(NOTARIAL SEAL)

My commission expires

STATE OF ILLINOIS)
) SS.
COUNTY OF COOK)

On this __ day of _____, 1980, before me personally appeared _____, to me personally known, who, being by me duly sworn, said that he is a Vice President of LaSalle National Bank, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

(NOTARIAL SEAL)

My commission expires

CONSENT AND AGREEMENT

The undersigned, SIERRA PACIFIC POWER COMPANY and IDAHO POWER COMPANY (hereinafter collectively called the Lessees), the lessees named in the Lease (hereinafter called the Lease) referred to in the foregoing Assignment of Lease and Agreement (hereinafter called the Lease Assignment), hereby, as of the 1st day of June, 1980 (a) acknowledge receipt of a copy of the Lease Assignment and (b) consent to all the terms and conditions of the Lease Assignment and agree that so long as said Lease Assignment is effective:

(1) they will pay all rentals, casualty payments, liquidated damages, indemnities and other moneys provided for in the Lease due and to become due under the Lease directly to LaSalle National Bank, as Agent (hereinafter called the Vendor), the assignee named in the Lease Assignment, by bank wire transfer of immediately available federal funds to LaSalle National Bank, 135 South LaSalle Street, Chicago, Illinois 60690, for credit to Account No. 61-5536-70-3, with notification that the payment is "Re: S.P.P.&I.P. 1980-1" (or at such other address as may be furnished in writing to the Lessees by the Vendor);

(2) the Vendor shall be entitled to the benefits of, and to receive and enforce performance of, all the covenants to be performed by the Lessees under the Lease as though the Vendor were named therein as the Lessor;

(3) the Vendor shall not, by virtue of the Lease Assignment, be or become subject to any liability or obligation under the Lease or otherwise; and

(4) the Lease shall not, without the prior written consent of the Vendor, be terminated (except as expressly permitted by the terms thereof) or modified, nor shall any action be taken or omitted by the Lessees the taking or omission of which might result in an alteration or impairment of the Lease or the Lease Assignment or this Consent and Agreement or of any of the rights created by any thereof.

This Consent and Agreement, when accepted by the Vendor by signing the acceptance at the foot hereof, shall be deemed to be a contract under the laws of the State of